

SOL PLAATJE LOCAL MUNICIPALITY



CITY OF KIMBERLEY

SOL PLAATJE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2020

SOL PLAATJE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

INDEX

	Page
General Information	2
Declaration Accounting Officer	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Accounting Policies	8
Notes to the Annual Financial Statements	36
Appendices are supplementary information and do not form part of the Financial Statements and are unaudited, unless stated otherwise.	
Appendix A: Schedule of External Loans	76
Appendix B: Analysis of Property, Plant and Equipment	77
Appendix C: Segmental Analysis of Property, Plant and Equipment	78
Appendix D: Segmental Statement of Financial Performance	79
Appendix E: Disclosures of Grants and subsidies in Terms of the Municipal Finance Management Act	80
Appendix F: Disclosures of Deviations from procurement policy	81
Appendix G: Appropriation Statements A1 - A7	82

SOL PLAATJE LOCAL MUNICIPALITY

GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2020

EXECUTIVE MAYOR	Alderman SP Mabilo	
SPEAKER	Councillor I Koopman	
GRADING OF THE LOCAL AUTHORITY:	Grade 5	NC091
AUDITORS:	Auditor-General of South Africa Block 1 Montrie Corporate Park 10 Oliver Road Monument Heights Kimberley 8301 Telephone 053-8311016 Fax 053-8326277	
		Private Bag X5013 Kimberley 8300
BANKERS:	Standard Bank C/O Bultfontein and Lennox Street Kimberley 8301 Telephone 053-8078215 Fax 053-8078173	
		P.O. Box 626 Kimberley 8300
REGISTERED OFFICE:	Civic Centre Sol Plaatje Drive Kimberley 8301 Telephone 053-8306911 Fax 053-8331005	
		Private Bag X5030 Kimberley 8300
MUNICIPAL MANAGER:	Mr G Akharwaray	B.Proc.LLB, Certificate in Management
CHIEF FINANCIAL OFFICER:	Me ZL Mahloko	B.Comm Hons
MEMBERS OF COUNCIL:	Councillor Ward 1 Francis BP 12 Mocwagole LL 23 Vorster PJ 2 Mohamed L 13 Molatudi MK 24 Steyn SM 3 Lewis CB 14 Pieterse LHS 25 Fourie OC 4 Mpanza TH 15 Keetile WM 26 Makhamba BJ 5 Mohapi PM 16 Stout BJ 27 Hammer N 6 Setlholo DT 17 Petoro GI 28 Japhta H 7 Diphahle JG 18 Van Wyk PR 29 Springbok B 8 Ngoma TC 19 Lekoma IA 30 Kock GP 9 Swazi DM 20 Pearce C 31 Keme BJ 10 Gomba JT 21 Van Rooyen WA 32 Banda F 11 Mojakwe IM 22 Maditse NM 33 Sebgom KM Councillor Proportional 1 Badenhorst EL 11 Kika SN 21 Mothelesi FK 2 Beyllefild MJ 12 Kok PK 22 Ndelaphi J 3 Bishop PD 13 Kruger F 23 Niemann E 4 Boqo AN 14 Liebenberg CR 24 Phillipus G 5 Britz S 15 Louw M 25 Phiri KC 6 Chinkuli DS 16 Matshediso OM 26 Pholoholo IM 7 Farland L 17 Meintjies M 27 Plaatjie OB 8 Griqua SH 18 Miller HB 28 Shushu LN 9 Jaffer CB 19 Morwe RT 29 Thulo FL 10 Joseph GH 20 Moshweu MM 30 Van Den Berg HJ	

SOL PLAATJE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

I am accountable for the preparation of these annual financial statements, which are set out on pages 3 to 87, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

I acknowledge full responsibility for the system of internal financial control and the duty to maintain adequate accounting records as required by MFMA 56 of 2003.

B Dhulwayo
Municipal Manager Acting
30 October 2020

SOL PLAATJE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 June 2020

	Note	2020 R	2019 R	2020 Budget R
ASSETS				
Current Assets		1,800,396,719	1,558,025,301	1,629,536,236
Inventory	2	35,583,221	39,015,193	36,347,236
Trade Receivables from Exchange Transactions	4	1,068,154,021	944,040,829	630,283,000
Statutory Receivables from Non-Exchange Transactions	5	489,785,454	420,294,770	760,813,000
Trade Receivables from Non-Exchange Transactions	5	68,987,709	57,593,899	
Cash and Cash Equivalents	6	99,305,392	74,019,286	202,093,000
Statutory Receivable from Exchange Transactions	8	38,580,922	23,061,323	
Non-Current Assets		2,111,861,286	2,002,307,186	2,081,150,458
Property, Plant and Equipment	9	1,808,607,183	1,739,378,774	1,862,117,821
Heritage Assets	9	12,070,884	12,070,884	7,863,705
Intangible Assets	10	2,508,303	5,766,023	11,227,694
Investment Property	11	209,343,620	208,868,734	192,202,009
Trade Receivables from Exchange Transactions	4	67,812,676	30,482,785	7,739,229
Statutory Receivables from Non-Exchange Transactions	5	11,518,620	5,739,985	
Total Assets		3,912,258,004	3,560,332,487	3,710,686,694
LIABILITIES				
Current Liabilities		573,017,890	427,029,641	276,207,824
Consumer Deposits	13	36,710,173	34,916,719	33,274,330
Employee Benefits	14	66,237,249	67,904,658	12,416,000
Payables from Exchange Transactions	15	354,284,062	237,934,440	203,328,000
Unspent Conditional Grants and Receipts	16	27,125,668	6,900,788	-
VAT Payable from Exchange Transactions	17	78,501,913	66,226,471	17,790,000
Current Portion of Long-term Liabilities	18	10,158,824	13,146,566	9,399,494
Non-Current Liabilities		428,088,746	456,121,589	448,139,541
Long-term Liabilities	18	182,359,336	191,895,172	163,017,541
Employee Benefit Liabilities	19	245,431,390	263,749,873	285,122,000
Non-current Provisions	20	298,020	476,543	
Total Liabilities		1,001,106,636	883,151,229	724,347,365
Total Assets and Liabilities		2,911,151,369	2,677,181,257	2,986,339,329
NET ASSETS		2,911,151,369	2,677,181,257	2,986,339,329
Accumulated Surplus	21	2,911,151,369	2,677,181,257	2,986,339,329
Total Net Assets		2,911,151,369	2,677,181,257	2,986,339,329

SOL PLAATJE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2020

Budget 2019 R	Budget 2020 R		Note	Actual 2020 R	Actual 2019 R
REVENUE					
Revenue from Non-exchange Transactions					
541,312,085	558,654,168	Property Rates	22	555,073,410	512,886,361
25,735,000	35,305,000	Fines and Penalties		31,614,429	36,982,279
3,450,000	4,764,000	Licences and Permits		5,863,167	6,319,276
388,289,910	405,423,147	Government Grants and Subsidies Received	26	357,825,929	389,363,355
Revenue from Exchange Transactions					
1,015,308,354	1,087,798,399	Service Charges	24	1,049,129,002	905,247,585
11,257,000	11,810,000	Rental of Facilities and Equipment	25	11,426,831	11,092,199
-	-	Income for Agency Services		-	576,183
15,000,000	7,500,000	Interest Earned - External Investments	23	5,502,609	10,001,619
141,490,000	147,940,000	Interest Earned - Outstanding Debtors	23	145,492,162	141,429,154
25,212,900	17,826,500	Other Income	28	23,808,886	16,309,156
10,000,000.00	0	Gains on Disposal of Property, Plant and Equipment		374,883	579,006
2,177,055,249	2,277,021,214	Total Revenue		2,186,111,308	2,030,786,174
EXPENDITURE					
698,651,971	727,556,643	Employee Related Costs	29	653,284,271	688,565,281
29,685,309	31,752,783	Remuneration of Councillors	30	30,367,388	28,387,557
69,250,000	71,600,000	Depreciation and Amortisation	31	69,001,202	61,912,942
207,000,000	247,975,000	Impairment Losses	32	247,974,705	205,848,140
26,298,836	31,294,741	Finance Costs	33	31,097,135	26,250,436
566,500,000	631,500,000	Bulk Purchases	34	625,195,180	554,437,661
43,710,500	44,004,500	Contracted Services	35	38,346,415	42,341,831
6,970,000	4,170,000	Grants and Subsidies Paid	36	2,733,463	3,940,284
352,874,814	304,829,481	General Expenses	37	253,207,030	250,809,745
-	-	Loss/Write down of Inventory		191,747	361,363
-	-	Foreign Exchange Loss		335,239	153,859
-	-	Impairment of Property, Plant and Equipment		407,423	-
2,000,941,430	2,094,683,148	Total Expenditure		1,952,141,197	1,863,009,101
176,113,819	182,338,066	SURPLUS FOR THE YEAR		233,970,111	167,777,073
Refer to Note 61.1 for explanation of budget variances					

SOL PLAATJE LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 June 2020

Description	Note	Accumulated Surplus Account				Total for Accumulated Surplus Account	Total
		Capital Replacement Reserve(CRR)	Self Insurance Reserve	COID Reserve	Accumulated Surplus		
		R	R		R	R	R
2019							
Balance at 30 June 2018	39	65,117,470	24,278,117	10,970,189	2,408,792,215	2,509,157,991	2,509,157,991
Correction of Error					246,193	246,193	246,193
Restated Balance		65,117,470	24,278,117	10,970,189	2,409,038,408	2,509,404,184	2,509,404,184
Surplus for the year					167,777,073	167,777,073	167,777,073
Transfer to Capital Replacement Reserve		5,000,000			(5,000,000)	-	-
Property, Plant and Equipment purchased		(30,804,264)			30,804,264	-	-
Contribution to Insurance Reserve			(1,662,197)	(126,987)	1,789,184	-	-
Balance at 30 June 2019		39,313,206	22,615,921	10,843,202	2,604,408,929	2,677,181,257	2,677,181,257
2020							
Restated Balance		39,313,206	22,615,921	10,843,202	2,604,408,929	2,677,181,257	2,677,181,257
Surplus for the year					233,970,111	233,970,111	233,970,111
Transfer to Capital Replacement Reserve		12,514,328			(12,514,328)	-	-
Property, Plant and Equipment purchased		(8,074,067)			8,074,067	-	-
Contribution from Insurance Reserve			(8,061,106)	332,342	7,728,763	-	-
Balance at 30 June 2020		43,753,467	14,554,815	11,175,544	2,841,667,542	2,911,151,369	2,911,151,369

Details on the movement of the Funds and Reserves are set out in Note 21.

SOL PLAATJE LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 June 2020

	Note	Actual 2020 R	Actual 2019 R	Budget 2020 R
CASH FLOWS FROM OPERATING ACTIVITIES				
Grants received	26	357,825,929	389,363,355	405,423,000
Sale of goods and services	41	1,222,603,580	1,088,393,420	1,461,792,000
Employee Costs	29	(653,284,271)	(688,565,281)	(759,166,000)
Supplier payments	41	(873,338,194)	(757,707,681)	(952,614,000)
Cash generated from Operations	41	53,807,043	31,483,813	155,435,000
Interest received	23	150,994,771	151,430,773	155,440,000
Interest paid	33	(31,097,135)	(26,250,436)	(25,161,000)
NET CASH FLOWS FROM OPERATING ACTIVITIES		173,704,680	156,664,150	285,714,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment	9	(134,255,173)	(203,360,615)	(189,636,000)
Purchase of Intangible Assets	10	(957,626)	-	-
Purchase of Investment Property	11	(813,318)	(2,660,415)	-
Proceeds on Disposal of Investment Property	11	131,120	-	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(135,894,996)	(206,021,030)	(189,636,000)
CASH FLOWS FROM FINANCING ACTIVITIES				
New Finance leases/Finance lease payments		(3,171,619)	(2,604,333)	-
Loans repaid		(9,351,959)	(9,259,699)	(9,251,000)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(12,523,578)	(11,864,032)	(9,251,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	6	25,286,105	(61,220,912)	86,827,000
Cash and Cash Equivalents at the beginning of the year		74,019,286	135,240,198	115,263,000
Cash and Cash Equivalents at the end of the year		99,305,392	74,019,286	202,090,000

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

1. BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act 2003 (Act Number 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

The Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2019 and 30 June 2020 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1. 2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.1 on *Revenue from Exchange Transactions* and Accounting Policy 10.2 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

1. BASIS OF PRESENTATION (continued)

1. 2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY(continued)

1. 2. 1 Revenue Recognition (continued)

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue, as far as Revenue from Non-Exchange Transactions is concerned. In particular, whether the municipality, (i) when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and (ii) when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year and prior year is appropriate.

1. 2. 2 Water Inventory

The estimation of water inventory in the reservoirs is based on the measurement of water via the electronic level sensors where the level indicates the depth of water in the reservoir which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account during determining the volume of water on hand at year end. Refer to Note 2 in the annual financial statements.

1. 2. 3 Budget information

Variations between the budget and actual amounts are regarded as material if they exceed a 10% deviation. All material differences are explained in the notes/appendices to the annual financial statements. Budget and actual figures are presented on the the accrual basis of accounting.

1. 2. 4 Impairment of property, plant and equipment, intangible assets, investment property, heritage assets and inventories

The accounting Policy on "PPE - Impairment of assets and accounting policy", "Heritage assets", "Investment Property" on "Intangible assets - subsequent measurement, amortisation and impairment "and accounting policy on "Inventory - Subsequent measurement" describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of cost and net realisable values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 26: "Impairment of cash generating assets" and GRAP 21: "Impairment of Non - Cash generating Assets". In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involve significant judgment by management.

1. 2. 5 Impairment of financial assets

The accounting policy on Impairment of financial assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP104: 'Financial Instruments' and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the current and prior year is appropriate.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

1. BASIS OF PRESENTATION (continued)

1. 2. 6 Impairment of trade receivables

The calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1. 2. 7 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in the notes. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1. 2. 8 Useful lives of property, plant and equipment, investment property and intangible assets

As described in the accounting policy; 'Property, Plant and Equipment', the municipality depreciates its property, plant and equipment, investment property and amortise intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives and in what condition they will be at that time.

1. 2. 9 Defined benefit plan liabilities

As described in the accounting policy the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long service Awards and Ex-gratia awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 19 to the Annual Financial Statements.

1. 2. 10 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. The accounting policy on Financial Assets Classification and accounting policy on Financial Liabilities Classification describe the factors and criteria considered by management of the municipality in the classification of financial assets and liabilities. In making the above-mentioned judgements, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104 "Financial Instruments".

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

1. BASIS OF PRESENTATION (continued)

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

2. STATUTORY FUNDS AND RESERVES

The accumulate surplus/(deficit) represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/(deficit). Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus/(deficit) when retrospective adjustments are made.

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets, the profit on these assets is reflected in the Statement of Financial Performance and is not transferred to the CRR, as it is regarded as revenue.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

2. STATUTORY FUNDS AND RESERVES (Continued)

2. 2 Self insurance reserve

A general insurance reserve has been established, and subject to reinsurance where deemed necessary, it covers claims that may occur. Premiums are charged to the respective services and credited to the operating account as per budgeted amounts. Reinsurance premiums paid to external reinsurers and other expenditure are regarded as an expense, and are debited against the operating accounts shown in the Statement of Financial Performance. The net surplus or deficit on the insurance operating accounts is transferred to or from the insurance reserve via the Statement of Changes in Net Assets. The balance of the self-insurance reserve is invested in short-term cash investments. Interest earned on the insurance reserve is recorded as interest earned in the Statement of Financial Performance.

2. 3 Compensation for occupational injuries and diseases (COID) reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for occupational injuries and diseases in terms of Section 84 of the COID Act (Act No. 130 of 1993). The certificate of exemption issued by the Commissioner, and as prescribed by the COID Act, requires that the Municipality deposits cash and/or securities with the Commissioner. Premiums are charged to the respective services and credited to the operating account as per budgeted amounts. The net surplus or deficit on the COID operating account is transferred to or from the COID reserve via the Statement of Changes in Net Assets.

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality;
- and
- if the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost on its acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) surrendered.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequently, all property plant and equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or surrendered is included in the surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an indefinite useful life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality.

The useful lives of items of property, plant and equipment have been assessed as follows:

<i>Item</i>	<i>Years</i>
Buildings	30
Furniture and fixtures	5 - 15
Motor vehicles	5 - 15
Computer equipment	5 - 10
Infrastructure	
- Roads and paving	1 - 80
- Electricity	1 - 80
- Water	1 - 100
- Sewerage	1 - 60
- Landfill sites	25 - 55
- Storm water	1 - 60
- Streetlights	1 - 40
Community Buildings	
- Recreational facilities	30
- Security	3 - 15
Machinery and equipment	5 - 15
Water network	15
Land	Indefinite

The residual value, useful life and depreciation method of each asset are reviewed, if there is an indication that a change may have occurred in the estimated useful life or residual value of the asset. If the expectations differ from previous estimates, the change is accounted for in accordance with GRAP 3, either prospectively as a change in the accounting policy, or retrospectively as a prior period error depending on the specific circumstances.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Reviewing the useful life of an asset does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in the surplus or deficit unless it is included in the carrying amount of another asset.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

PROPERTY, PLANT AND EQUIPMENT (continued)

3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use. Significantly delayed projects and projects that have ceased entirely are disclosed separately in the notes to the financial statements. Management will review the facts and circumstances around each individual project before classifying it as significantly delayed.

3. 5 Leased Assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Heritage Assets

Heritage assets, which are culturally significant resources of nature (examples are statues, graves, memorial assets, libraries, canons, etc.) and according to GRAP 103 should be shown at cost and are not depreciated owing to uncertainty regarding their estimated useful lives. When the asset does not meet the recognition criteria because it cannot be reliably measured, relevant and useful information about it is disclosed in the notes (note 9.2) to the financial statements.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 8 Derecognition of property, plant and equipment

An item of Property, Plant and Equipment of the municipality is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end or the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

Gains from the sale of assets are reported separately on the face of the Statements of Financial Performance. Gains or losses from the sale of assets are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds. This is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

4. INTANGIBLE ASSETS

4. 1 Initial Recognition

The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the assets surrendered.

4. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 31 expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at the later date. Intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period, however such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed when there is an indication that such an assessment is required. The indicators as listed in the standard are used to determine if a review is required. Any adjustments arising from the review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Amortisation only commences when the asset is available for use, unless stated otherwise.

4. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

5. INVESTMENT PROPERTY

5. 1 Initial Recognition

Investment property includes property e.g. (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. e.g. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases. This will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as property, plant and equipment or Inventory, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes or service delivery.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

5. INVESTMENT PROPERTY (continued)

5. 2 Subsequent Measurement - Cost Model

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-Line Method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The gain or loss arising on the disposal of an Investments proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

5. 4 Depreciation and impairment

Investment properties are annually tested for impairment, including investment properties not yet available for use. Where items of investment property have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and depreciation method are reviewed when there is an indication that such an assessment is required. The indicators as listed in the standard are used to determine if a review is required. Any adjustments arising from the review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Depreciation is charged on a straight-line basis over the assets' useful lives. The residual value of assets with finite useful lives is zero, unless an active market exists. Where investment properties are deemed to have an indefinite useful life, such assets are not depreciated (e.g. land).

6. FINANCIAL INSTRUMENTS

6. 1 Financial Assets - Classification

A financial asset is any asset that is cash or contractual right to receive cash.

In accordance with GRAP 104 the financial assets of the municipality are classified as follows into the categories allowed by this standard.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that are quoted in an active market. They are included in current assets except for maturity greater than 12 months which are classified as non current assets. Financial assets at amortised cost are initially recognised at fair value plus transaction cost are directly attributable to the acquisition or issue of the financial asset. After initial recognition financial assets are measured at amortised cost using the effective interest rate method less the provision for impairment.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

6. FINANCIAL INSTRUMENTS (continued)

Financial assets at cost are investments in residual interests that do not have a quoted market price in an active

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

The municipality has the following types of financial assets on the face of the State of Financial Position:

Class	Category
Non - current Investments	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Bank, cash and cash equivalents	Financial asset measured at amortised cost
Current Portion of Non-current Investments	Financial asset measured at amortised cost
Current Portion of Long-term receivables	Financial asset measured at amortised cost

Cash includes cash on hand (including petty cash) and cash at bank (including call deposits). Cash equivalents are short term and highly liquid investments, readily convertible into known amounts of cash, that are held with registered institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The municipality has the following types of financial liabilities on the face of the State of Financial Position:

Class	Category
Long-term Liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non- exchange transactions	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at amortised cost
Short-term Loans	Financial liability measured at amortised cost
Current portion of long-term liabilities	Financial liability measured at amortised cost

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

6. FINANCIAL INSTRUMENTS (continued)

6. 3 Risk management of financial assets and liabilities

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk is disclosed.

A sensitivity analysis for each of the market risks is done.

Credit risk

Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the municipality receivables from customers and investment securities.

Each class of financial instrument is disclosed separately.

Maximum exposure to credit risk not covered by collateral is specified.

Financial instruments covered by collateral are specified.

Liquidity risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities. A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 48 to the annual financial statements.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

FINANCIAL INSTRUMENTS (continued)

6. 3 Risk management of financial assets and liabilities(continued)

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities. A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 48 to the annual financial statements.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

6. 4 Impairment of financial assets and derecognition of financial assets and liabilities

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

The municipality shall derecognise a financial asset only when:

- (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- (b) the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- (c) the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

In this case, the municipality shall:

- (i) derecognise the asset; and
- (ii) recognise separately any rights and obligations created or retained in the transfer. The carrying amounts of the transferred asset shall be allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations shall be measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised in accordance with this paragraph shall be recognised in surplus or deficit in the period of the transfer.

The municipality shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

6. 5 Consumer Deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit in terms of the budget policy as set and reviewed by the municipality on an annual basis. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

7. LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

7. 1 Finance leases - Municipality as lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. Any contingent rents are expensed in the period in which they are incurred.

7. 2 Operating leases - Municipality as lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue. The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

7. 3 Operating leases - Municipality as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

8. INVENTORY

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs is deemed to be equal to its fair value at the date of acquisition. Where inventory is manufactured, constructed or produced, the cost includes, the cost of labour, materials and overheads used during the manufacturing.

8. 1 Subsequent measurement

Included in inventory are consumable stores, raw materials, Work in progress, water inventory, unsold properties and other arrangements. Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventory comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects are assigned using specific identification of the individual costs. The cost of inventories is assigned using the first-in-first-out cost formula. When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

9. NON-CURRENT ASSETS HELD-FOR-SALE

The disclosure requirements per the Standard of GRAP on Presentation of Financial Statements require entities to disclose information about significant assets and groups of assets and liabilities, or components (as defined in GRAP 100), that will be disposed of in future reporting periods. These disclosures are provided once management has made a decision to dispose of certain assets, groups of assets and liabilities or components, instead of specific presentation on the face of the statement of financial position. 'Specific measurement requirements for assets held for sale over and above those already required in existing Standards, are therefore not necessary.

10 REVENUE RECOGNITION

Revenue in general is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

10 1. Revenue from Exchange Transactions

10 1. 1. Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs. Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month. Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly. In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10. 1 2 Prepaid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale and payment is made in the month before year end, it's recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

10. REVENUE RECOGNITION (continued)

10.1.3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time-proportionate basis that takes into account the effective yield on the investment. Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors

10.1.4 Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10.1.5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

10.1.6 Sale of goods (including houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10.1.7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

10.2. Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

10. REVENUE RECOGNITION (continued)

10. 2. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Revenue arising from taxation transactions will be measured at their fair value as at the date of the transaction. Rates and Taxes transactions are measured at the best estimate of the inflow of resources to the entity. The estimation will take into account both the probability that the resources arising from taxation transactions will flow to the municipality and the fair value of the transaction. Receivables at year end with regards to rates and taxes are considered to be statutory receivables and is accounted for in terms of the accounting policy for statutory receivables.

10. 2. 2 Fines

Fines are defined as revenue from non-exchange transactions. It is revenue that arises from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange. Fines will be accounted on a accrual basis based on IGRAP 1. Fines constitute both spot fines and summonses for which revenue is recognised in accordance with the requirements of IGRAP1. Fines are economic benefits or service potential received or receivable by entities as determined by a court or other law enforcement body as a consequence of breach of laws and regulations. Where a defendant reaches an agreement with a prosecutor that includes a payment of a penalty, instead of being tried in court, that penalty is recognised as a fine. Receivables at year end with regards to traffic fines are considered to be statutory receivables and is accounted for in terms of the accounting policy for statutory receivables.

Initial recognition

Revenue from fines shall be recognised when an inflow of resources from non-exchange transaction is probable. The probability of inflow shall be determined when an allegation that an offence has been committed and that the offender must appear in court or before other law enforcement body. Normally, fines require an entity/offender to transfer a fixed amount of cash to the municipality and do not impose the obligation to the municipality to recognise a liability, as such fines shall be recognised as revenue when receivables meets the definition of an asset and satisfies the criteria for recognition as an asset.

Measurement

At initial and subsequent recognition, fines shall be measured based on fair value of the asset.

Impairment

Fines shall be assessed for indicators of impairment at the end of each reporting period. Fines not collected or fines where no warrant of arrests or summonses have been issued shall be impaired at measurement date.

10. 2. 3 Other donations and contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use. On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition/donation.

10. 2. 4 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures and is recognised when the recovery thereof from the responsible councillor or officials is virtually certain. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

10. 2. 5 Conditional grants and receipts

Equitable share allocations are recognised revenue at the start of the financial year if no time-based restrictions exist.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Government grants and conditional receipts are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.
- best estimate of expenditure

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

11. PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

11. PROVISIONS AND CONTINGENCIES (continued)

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

11.1. Environmental rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

12. EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

12.1 Short-term employee benefits

The cost of all short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) is recognised during the period in which the employee renders the related service and are not discounted. The Municipality recognises the expected cost of performance bonuses only when the Municipality has a present legal or constructive obligation to make such payment, and a reliable estimate can be made. The Municipality provides long-term incentives to eligible employees, payable on completion of years of employment. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the obligation. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

12. EMPLOYEE BENEFITS (continued)

12.2 Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

The Municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries. Past-service costs are recognised immediately.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur. In measuring its defined benefit liability the municipality shall, recognise past service cost as an expense in the reporting period in which the plan is amended.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

12. EMPLOYEE BENEFITS (continued)

Long-service Allowance and Ex-Gratia Arrangements

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. Ex-gratia arrangements are paid to employees who are not part of the Municipality's formalised pension arrangements. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

13. BORROWING COST

Borrowing costs are recognised as an expense in the period in which they are incurred.

14. IMPAIRMENT

Cash-generating assets are those assets used by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return. An asset is designated as cash generating prospectively once indicators of impairment exist when the revenue earned through the use of the asset exceeds the expenditure incurred in the operation of the assets. The asset therefore generates a commercial return. If the expenditure incurred in the operation of the asset exceeds the revenue generated by the asset the asset will be designated as non-cash generating for impairment purposes.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

- The municipality has looked at the definition of cash generating assets which determine that an asset can be identified as cash generating asset if there is a commercial return.
- The municipality do not operate in a profit-oriented manner and the main focus is to provide a service therefor all the assets will be classified as non-cash-generating assets.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

14. IMPAIRMENT(continued)

14.1 Impairment of Cash generated Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm length transaction, adjusted for the incremental cost that would be directly attributed to the disposal of the assets.

A value in use of a cash generating asset is the presentation of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.
- The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

14.2 Impairment of Non-Cash generated assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit in the statement of financial performance.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated. The recoverable service amount of those assets are estimated by using the depreciated replacement cost approach in term of GRAP 21.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

15. HERITAGE ASSETS

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

15. 1. Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefit or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant of donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage asset purchases price and other costs attributable to bring the asset to the location and condition necessary for it to be call operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also included the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an heritage asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), transaction is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its measured at the carrying amount of the asset given up.

15. 2. Subsequent measurement

Subsequent expenditure relating to heritage assets capitalised if it is probable that future economic benefits of potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost of fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised if it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces part of an heritage asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all the heritage assets are measured at cost less accumulated impairment losses. Heritage assets are not depreciated, owing to uncertainty regarding to their estimated useful lives.

The carrying amount of a heritage asset shall be derecognised:

- (a) on disposal (including disposal through a non-exchange transaction), or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

17. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payment basis in accordance with section 15(2)(a) of the Value Added Tax Act (Act No 89 of 1991)

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including
(a) MFMA number 56 of 2003
(b) Public Office Bearers Act (Act No. 20 of 1998)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the disclosure note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, must be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure (as described as per the Municipal Finance Management Act) is expenditure which was made in vain and would have been avoided had reasonable care been exercised.

21. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The cost of internal support are transferred to the various services and departments to who resources are made available.

22. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to notes for details of changes in accounting policies. Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

23. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

24. TRANSLATION TO FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

25. COMPARATIVE FIGURES

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

27. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. Only capital commitments are disclosed.

Commitments are disclosed for:

- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

28. EVENTS AFTER REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

29. COMPARATIVE OF ACTUAL INFORMATION TO BUDGETED INFORMATION

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budgeted amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Statement giving motivations for over- or under spending on line items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2018 to 30 June 2019. In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material.

Current year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed. Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. The presentation and classification of items in the current year is consistent with prior periods.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

30. STATUTORY RECEIVABLES IDENTIFICATION

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised. Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means. The transaction amount (for purposes of the Standard of GRAP on Statutory Receivables) means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

30. 1. Statutory Receivables Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the accounting policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the accounting policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the accounting policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

30. 2. Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

30. 3. Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate. Interest on statutory receivables is recognised as revenue in accordance with the accounting policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

30. 4. Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

30. STATUTORY RECEIVABLES IDENTIFICATION (continued)

30. 5. Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation.
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account.

The adjustment does not result in the carrying amount of the statutory receivable, or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

30. 6. Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the receivable; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

31. ACCOUNTING FOR PRINCIPAL OR AGENT AGREEMENTS

The municipality shall assess whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of a binding arrangement. The assessment requires the assessment whether the transactions undertaken with the third parties are for the benefit of another entity or for its own benefit. If the municipality is the principal, revenue and expenses that arise from transactions with the third parties are recognised by the municipality. Only that portion of the revenue and expenses the municipality receives or incurs in executing the transactions on behalf of the principal is recognised when the municipality is the agent. Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified, paid over and invoiced to the principal. Assets and liabilities arising from principal-agent arrangements are recognised in accordance with the requirements of the GRAP standards applicable to the specific assets and related liabilities.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

	2020 R	2019 R	
1. GENERAL INFORMATION			
Sol Plaatje Local Municipality (the municipality) is a local government institution in Kimberley, Northern Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements. The principal activities of the municipality are prescribed by The Constitution.			
2. INVENTORY			
Inventory Stores - at cost	26,659,058	30,137,229	
Inventory Land	6,642,134	6,642,134	
Water - at cost	2,282,030	2,235,830	
Total Inventory	35,583,221	39,015,193	
The net realisable value of the above water inventory is seen as higher than the cost as stipulated above.			
The cost of Inventories recognised as an expense (included in general expenses) in respect of write downs of Inventory to Net Realisable Value and which was approved by Council amounted to:			
	191,747	361,363	
The cost of Inventories recognised as an expense during the period was:			
	49,543,444	48,805,464	
3. ASSETS TO BE DISPOSED			
The municipality intends to dispose some of its Property, Plant and Equipment through public auction within the next twelve months.			
4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS			
	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2020			
Service Debtors:	1,625,011,309	514,239,484	1,110,771,825
Electricity	290,480,524	91,923,394	198,557,130
Refuse	107,576,978	34,043,043	73,533,935
Sewerage	137,158,327	43,404,146	93,754,181
Water	472,235,230	149,440,192	322,795,039
Miscellaneous	617,560,250	195,428,710	422,131,540
Market	932,516	295,097	637,419
Housing Debtors	35,926,496	11,369,042	24,557,453
Sub-Total	1,661,870,321	525,903,624	1,135,966,697
Non current portion	(67,812,676)		(67,812,676)
Total	1,594,057,645	525,903,624	1,068,154,021

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2019			
Service Debtors:	1,581,574,267	631,332,822	950,241,445
Electricity	244,931,355	97,766,380	147,164,975
Refuse	116,883,982	46,655,210	70,228,772
Sewerage	145,049,470	57,897,698	87,151,772
Water	483,261,256	192,897,734	290,363,522
Miscellaneous	591,448,205	236,115,801	355,332,404
Market	914,861	365,174	549,686
Housing Debtors	39,498,726	15,766,244	23,732,482
Sub-Total	1,621,987,854	647,464,240	974,523,614
Non current portion	(30,482,785)		(30,482,785)
Total	1,591,505,069	647,464,240	944,040,829

Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors. Miscellaneous consist mainly out of interest charged on outstanding debtors and VAT on all services.

The municipality receives applications that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors. The Municipality does not require collateral in respect of trade and other receivables, except for consumer deposits made by consumers with the connection of water and electricity services.

	2020 R	2019 R
4.1 Ageing of Exchange Debtors		
Electricity: Ageing		
<u>Current:</u>		
0 - 30 days	57,392,860	47,388,425
<u>Past Due:</u>		
31 - 60 Days	12,184,551	8,087,664
61 - 90 Days	11,455,915	7,149,480
+ 90 Days	209,447,197	182,305,785
Total	290,480,524	244,931,355
Refuse: Ageing		
<u>Current:</u>		
0 - 30 days	4,760,238	4,659,689
<u>Past Due:</u>		
31 - 60 Days	2,942,323	3,117,518
61 - 90 Days	2,710,005	2,866,370
+ 90 Days	97,164,411	106,240,406
Total	107,576,978	116,883,982
Sewerage: Ageing		
<u>Current:</u>		
0 - 30 days	6,111,322	5,993,408
<u>Past Due:</u>		
31 - 60 Days	3,938,320	4,062,533
61 - 90 Days	3,648,130	3,756,607
+ 90 Days	123,460,555	131,236,922
Total	137,158,327	145,049,470

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

	2020 R	2019 R
4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
<i>Water: Ageing</i>		
<i>Current:</i>		
0 - 30 days	42,261,671	33,410,059
<i>Past Due:</i>		
31 - 60 Days	14,814,297	15,259,651
61 - 90 Days	11,879,460	13,546,121
+ 90 Days	403,279,803	421,045,425
Total	472,235,230	483,261,256
<i>Miscellaneous: Ageing</i>		
<i>Current:</i>		
0 - 30 days	22,349,165	22,567,187
<i>Past Due:</i>		
31 - 60 Days	10,927,738	13,101,797
61 - 90 Days	10,733,825	11,667,202
+ 90 Days	574,482,038	545,026,880
Total	618,492,766	592,363,065
<i>Housing Rentals: Ageing</i>		
<i>Current:</i>		
0 - 30 days	518,950	520,640
<i>Past Due:</i>		
31 - 60 Days	418,569	487,507
61 - 90 Days	412,517	479,108
+ 90 Days	34,576,459	38,011,472
Total	35,926,496	39,498,726

4.2 Summary of Debtors by Classification (Exchange and Non-Exchange Transactions)

	Household R	Industrial/ Commercial R	National and Provincial Government R	Total R
As at 30 June 2020				
<i>Current:</i>				
0 - 30 days	144,989,760	42,369,862	40,416,634	227,776,255
<i>Past Due:</i>				
31 - 60 Days	28,697,252	15,005,131	10,203,245	53,905,628
61 - 90 Days	29,912,724	12,805,923	13,491,081	56,209,728
+ 90 Days	1,080,676,956	216,100,334	869,548,039	2,166,325,329
Sub-Total	1,284,276,691	286,281,250	933,658,999	2,504,216,940
Less: Provision for Impairment	409,229,502	91,222,346	297,506,612	797,958,461
Total Debtors by Classification	875,047,189	195,058,903	636,152,387	1,706,258,480
As at 30 June 2019				
<i>Current:</i>				
0 - 30 days	90,525,019	34,851,771	16,047,957	141,424,746
<i>Past Due:</i>				
31 - 60 Days	35,971,486	8,441,932	10,128,423	54,541,841
61 - 90 Days	31,048,647	7,131,820	10,233,062	48,413,529
+ 90 Days	1,136,724,206	207,032,105	829,728,152	2,173,484,464
Sub-Total	1,294,269,358	257,457,628	866,137,594	2,417,864,580
Less: Provision for Impairment	514,117,245	101,843,652	343,751,414	959,712,311
Total Debtors by Classification	780,152,113	155,613,976	522,386,180	1,458,152,269

The amount for debtors past due more than the impairment loss provided for is seen as recoverable therefore no impairment loss has been provided for this excess amount. Management is of the opinion that the current debtors is fully recoverable.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

2020
R

2019
R

4.3 Reconciliation of the Provision for Impairment (Exchange and Non-Exchange)

Balance at beginning of year	959,712,311	807,423,840
Impairment Loss recognised	228,599,152	208,288,655
Amounts written off as uncollectable	(390,353,002)	(56,000,184)
Balance at end of year	797,958,461	959,712,311

In determining the recoverability of debtors, the municipality has implemented a risk based approach. Individual accounts are assessed and based on the risk factors identified, the adjusted present value of future cash flows of each account is determined. The difference between the adjusted cash flows and the current value is recognised as an impairment loss.

4.4 Ageing of impairment

0 - 30 Days	3,232,970	3,888,324
31 - 60 Days	2,466,056	2,965,949
61 - 90 Days	2,155,347	2,592,257
+ 90 Days	790,104,088	950,265,781
Total	797,958,461	959,712,311

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

5.1 Statutory Receivables from Non-Exchange Transactions

Assessment Rates	728,666,846	695,876,741
Traffic Fines	44,692,065	42,406,086
	773,358,910	738,282,826
Less: Provision for Impairment - Traffic Fines	(41,466,125)	(34,517,454)
Less: Provision for Impairment - Assessment Rates	(230,588,711)	(277,730,617)
Total Other Debtors	501,304,074	426,034,756
Non current portion	(11,518,620)	(5,739,985)
Total Statutory Receivables from Non-Exchange Transactions	489,785,454	420,294,770

Statutory Receivables arises from the following legislation:

Assessment Rates	- Municipal Properties Rates Act (No.6 of 2004)
Traffic Fines	- Criminal Procedures Act

5.2 Trade receivables from Non-Exchange Transactions

Government Subsidy Claims	67,231,018	55,777,206
Miscellaneous debtors	1,756,691	1,816,693
Total Trade receivables from Non-Exchange Transactions	68,987,709	57,593,899

Total Receivables from Non-Exchange Transactions

558,773,163 **477,888,669**

5.3 Ageing of Receivables

Rates: Ageing

Current:

0 - 30 days	32,815,910	25,752,684
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Past Due:

31 - 60 Days	16,340,341	10,425,171
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61 - 90 Days	13,065,774	8,948,641
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+ 90 Days	666,444,821	650,750,245
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Total	728,666,846	695,876,741
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It is impracticable to age traffic fines as the information is not with the municipality and the amount is impaired at year end.

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments. All Grants and Subsidies are outstanding for more than 90 days.

6. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents	50,611,849	28,718,784
Bank/(Bank Overdraft)	48,693,543	45,300,502
Total Cash and Cash Equivalents	99,305,392	74,019,286

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand and Cash in Banks, net of outstanding Bank Overdrafts.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

	2020 R	2019 R
6. CASH AND CASH EQUIVALENTS (Continued)		
6.1 Current Investment Deposits		
Call Deposits	22,350,000	1,750,664
Notice Deposits	28,244,129	26,950,000
Total Current Investment Deposits	50,594,129	28,700,664

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.45% to 6.51% per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates from 6.51% to 7.975% per annum.

A fixed deposit of R7,270m (2018/19: R5,377m) was made as a security to the Self-Insurance Workman Compensation reserve as required by the Department of Labour - Compensation Commissioner.

A fixed deposit of R20,973,203 (2018/19: R20,973,203) was invested and ceded to Development Bank of South Africa representing the equivalent of one instalment of a loan taken up during the current financial year.

6.2 Bank Accounts

Cash book balance

Cash book balance at beginning of year	45,300,502	41,245,881
Cash book balance at end of year	48,693,543	45,300,502

The following disclosures in terms of Municipal Finance Management Act (MFMA) section 125 2(a):

Current Account (Primary Bank Account)

The Municipality has the following main bank account:

Standard Bank Kimberley Old Main Road

Account Number 040065367

Primary Bank account 040065367

Bank statement balance at beginning of year / (overdrawn)	37,229,378	34,398,103
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Bank statement balance at end of year / (overdrawn)	37,334,001	37,229,378
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Sub account -Resort 040039072

Bank statement balance at beginning of year / (overdrawn)	-	-
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Bank statement balance at end of year / (overdrawn)	-	-
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Sub account -Traffic 040036340

Bank statement balance at beginning of year / (overdrawn)	-	-
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Bank statement balance at end of year / (overdrawn)	-	-
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Sub account -Stores 040065405

Bank statement balance at beginning of year / (overdrawn)	-	-
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Bank statement balance at end of year / (overdrawn)	-	-
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Sub account -Salary 040065391

Bank statement balance at beginning of year / (overdrawn)	-	-
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Bank statement balance at end of year / (overdrawn)	-	-
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Sub account -Market 040065383

Bank statement balance at beginning of year / (overdrawn)	10,000	-
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Bank statement balance at end of year / (overdrawn)	-	10,000
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Interest on overdrawn current accounts are charged at the bank's prime rate per annum.

Interest is earned at different rates per annum on favourable balances.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

	2020 R	2019 R
6. CASH AND CASH EQUIVALENTS (Continued)		
6.3 Cash and Cash equivalents		
Cash Floats and Advances	17,720	18,120
Cash on hand in Cash Floats, Advances and Equivalents	<u>17,720</u>	<u>18,120</u>

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair value.

7. OPERATING LEASE ASSETS / RECEIVABLES

7.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to property owned by the municipality with lease terms of between 1 to 10 years. The lessees do not have an option to purchase the property at the expiration of the lease period. Operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

Rental Revenue earned from Investment Property	226,819	373,605
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7.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	1,544,814	932,331
2 to 5 years	2,900,220	2,094,667
More than 5 years	309,949	434,331
Total Operating Lease Arrangements	<u>4,754,983</u>	<u>3,461,329</u>

The following restrictions have been imposed by the municipality in terms of its lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

8. STATUTORY RECEIVABLE FROM EXCHANGE TRANSACTIONS

Vat Receivable from Exchange Transactions	<u>38,580,922</u>	<u>23,061,323</u>
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Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

Statutory Receivables arises from the following legislation:

Taxes - Value Added Tax Act (No.89 of 1991)

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

42

9. PROPERTY, PLANT AND EQUIPMENT(PPE) AND HERITAGE ASSETS

30 June 2020

Reconciliation of Carrying Value

Description	Infra-structure	Community	Other	Total PPE	Heritage	Total
	R	R	R	R	R	R
Carrying values at 01 July 2019	1,435,785,170	260,005,206	43,588,399	1,739,378,774	12,070,884	1,751,449,659
Cost	1,972,811,775	334,209,875	154,694,416	2,461,716,065	12,070,884	2,473,786,949
- Completed Assets	1,581,548,841	320,068,364	154,694,416	2,056,311,621	6,017,355	2,062,328,975
- Under Construction	391,262,934	14,141,511	-	405,404,445	6,053,530	411,457,974
Accumulated Impairment Losses	(11,327,214)	-	-	(11,327,214)	-	(11,327,214)
Accumulated Depreciation:	(525,699,391)	(74,204,669)	(111,106,017)	(711,010,077)	-	(711,010,077)
- Cost	(525,699,391)	(74,204,669)	(111,106,017)	(711,010,077)	-	(711,010,077)
Acquisitions	-	-	7,260,749	7,260,749	-	7,260,749
Capital under Construction - Additions	122,460,738	4,533,685	-	126,994,423	-	126,994,423
- Cost	122,460,738	4,533,685	-	126,994,423	-	126,994,423
Depreciation:	(41,676,875)	(8,144,787)	(14,756,882)	(64,578,544)	-	(64,578,544)
- Based on Cost	(41,676,875)	(8,144,787)	(14,756,882)	(64,578,544)	-	(64,578,544)
Disposal/Impairment	-	(407,423)	(40,797)	(448,220)	-	(448,220)
- Cost	-	(597,621)	(495,040)	(1,092,661)	-	(1,092,661)
- Accumulated Depreciation	-	190,199	454,242	644,441	-	644,441
- Based on Cost	-	190,199	454,242	644,441	-	644,441
Capital under Construction - Completed	(34,727,305)	(12,733,308)	-	(47,460,613)	-	(47,460,613)
Other Movements	34,727,305	12,733,308	-	47,460,613	-	47,460,613
- Cost	34,727,305	12,733,308	-	47,460,613	-	47,460,613
Carrying values at 30 June 2020	1,516,569,033	255,986,681	36,051,469	1,808,607,183	12,070,884	1,820,678,067
Cost	2,095,272,513	338,145,939	161,460,125	2,594,878,577	12,070,884	2,606,949,461
- Completed Assets	1,616,276,146	332,204,051	161,460,125	2,109,940,322	6,017,355	2,115,957,676
- Under Construction	478,996,367	5,941,888	-	484,938,255	6,053,530	490,991,785
Accumulated Impairment Loss	(11,327,214)	-	-	(11,327,214)	-	(11,327,214)
Accumulated Depreciation:	(567,376,266)	(82,159,257)	(125,408,656)	(774,944,180)	-	(774,944,180)
- Cost	(567,376,266)	(82,159,257)	(125,408,656)	(774,944,180)	-	(774,944,180)

30 June 2019

Reconciliation of Carrying Value

Description	Infra-structure	Community	Other	Total PPE	Heritage	Total
	R	R	R	R	R	R
Carrying values at 01 July 2018	1,284,228,059	264,029,559	49,806,540	1,598,064,158	7,863,705	1,605,927,863
Cost	1,781,841,282	329,712,394	151,032,341	2,262,586,018	7,863,705	2,270,449,723
- Completed Assets	1,481,379,526	320,068,364	151,032,341	1,952,480,231	6,017,355	1,958,497,586
- Under Construction	300,461,756	9,644,030	-	310,105,786	1,846,350	311,952,137
Accumulated Impairment Losses	(11,333,767)	-	-	(11,333,767)	-	(11,333,767)
Accumulated Depreciation:	(486,279,455)	(65,682,836)	(101,225,802)	(653,188,093)	-	(653,188,093)
- Cost	(486,279,455)	(65,682,836)	(101,225,802)	(653,188,093)	-	(653,188,093)
Restated carrying values at 01 July 2018	1,284,228,059	264,029,559	49,806,540	1,598,064,158	7,863,705	1,605,927,863
Acquisitions	3,462,888	-	3,678,909	7,141,797	-	7,141,797
Capital under Construction - Additions	187,514,158	4,497,480	-	192,011,639	4,207,179	196,218,818
- Cost	187,514,158	4,497,480	-	192,011,639	4,207,179	196,218,818
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(39,419,936)	(8,521,833)	(9,897,050)	(57,838,819)	-	(57,838,819)
- Based on Cost	(39,419,936)	(8,521,833)	(9,897,050)	(57,838,819)	-	(57,838,819)
Carrying value of Disposals:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
Disposal/Impairment	(6,553)	-	-	(6,553)	-	(6,553)
- Cost	(6,553)	-	(16,834)	(23,388)	-	(23,388)
- Accumulated Depreciation	-	-	16,834	16,834	-	16,834
Capital under Construction - Completed	(96,712,980)	-	-	(96,712,980)	-	(96,712,980)
Other Movements	6,553	-	-	6,553	-	6,553
- Accumulated Impairment Losses	6,553	-	-	6,553	-	6,553
Carrying values at 30 June 2019	1,435,785,170	260,005,206	43,588,399	1,739,378,774	12,070,884	1,751,449,659
Cost	1,972,811,775	334,209,875	154,694,416	2,461,716,065	12,070,884	2,473,786,949
- Completed Assets	1,581,548,841	320,068,364	154,694,416	2,056,311,621	6,017,355	2,062,328,975
- Under Construction	391,262,934	14,141,511	-	405,404,445	6,053,530	411,457,974
Accumulated Impairment Losses	(11,327,214)	-	-	(11,327,214)	-	(11,327,214)
Accumulated Depreciation:	(525,699,391)	(74,204,669)	(111,106,017)	(711,010,077)	-	(711,010,077)
- Cost	(525,699,391)	(74,204,669)	(111,106,017)	(711,010,077)	-	(711,010,077)

Refer to Appendices "B, C and Note 61.2" for more detail on Property, Plant and Equipment, including those in the course of construction.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

	2020 R	2019 R
9. PROPERTY, PLANT AND EQUIPMENT AND HERITAGE ASSETS (Continued)		
9.1 Carrying Amount of Property, Plant and Equipment temporarily idle:		
An element of plant of the Municipality is currently temporarily not in use. The carrying amount of this asset, which is included in the reconciliation of the carrying value of Property, Plant and Equipment as above, is as follows:	<u>27,679</u>	<u>27,679</u>
9.2 Heritage Assets		
The municipality identified certain categories of assets that can be classified as Heritage Assets. Some of these categories are not valued due to the fact that no active market exists for these items and therefore no value can be attached to it. The mentioned categories are: <i>Municipal Jewellery, Antique Paintings, Monuments (including plaques or busts)</i> . The note below gives the detail of the composition of the heritage registers and the values attached thereto.		
Heritage assets disclosed in the financial statements consist of the following:		
Land (24 areas)	5,981,199	5,981,199
Antiques Other (38 items)	36,156	36,156
Antiques Paintings (15 items)	-	-
Municipal Jewellery (2 items)	-	-
Monuments (13 items)	-	-
Monuments (Work in progress)	6,053,530	6,053,530
Total	<u>12,070,884</u>	<u>12,070,884</u>
9.3 Work in Progress (WIP) - Projects significantly delayed		
Included in the work in progress balance is the following amount pertaining to the Riverton high lift pumps. This project has been significantly delayed due to the fact that the pump station building needed to be refurbished to enable the fitting of the pumps.	2,325,266	2,325,266
The project relating to the Ritchie Bulk Water augmentation has been delayed due to challenges experienced with the funding of this project. Final phase not completed.	6,547,655	13,281,776
Included in the work in progress balance is the following amount pertaining to the new Homevale Fire station. This project has been significantly delayed as a result of a dispute with the consulting engineer. Ongoing project.	7,747,847	3,214,162
The Lerato Park water and sewer projects which is a presidential project has been hugely delayed as a result of contractual dispute with the consulting engineers. The project is 90% completed.	17,752,142	17,059,489
The Nelson Mandela monument project has been depayed due to the fact that there are ongoing investigations pertaining to this project.	6,053,530	6,053,530
The Platfontein road project has been delayed due to insufficient funding to complete the project.	3,320,462	3,320,462
The Galeshewe Transport Link project has been delayed due to challenges in appointing a service provider for this project.	21,896,308	21,896,308
The stormwater project in Galeshewe has been delayed due to insufficient funding to complete the projects. This is an ongoing project.	174,309,893	113,104,308
The Gogga pump projects were delayed as Community unrest was experienced at the start of project.	32,518,353	32,518,353
The reconstruction of sink toilets in Kutlwanong project is delayed to the fact that the BID is to be re-advertised due to technical reasons.	1,859,211	1,859,211
The Newton water pump project was delayed due to funding problems.	5,495,830	5,495,830
Various electricity projects delayed due to SCM procedures and insufficient funding.	54,039,596	53,596,087
10. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Loss	<u>2,508,303</u>	<u>5,766,023</u>
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
Carrying values at 01 July 2019	5,766,023	5,766,023
Cost	21,561,537	21,561,537
Accumulated Amortisation	(15,795,514)	(15,795,514)
Acquisitions during the Year:	957,626	957,626
Purchased	957,626	957,626
Amortisation during the Year:	(4,215,346)	(4,215,346)
Purchased	(4,215,346)	(4,215,346)
Disposals during the Year:	-	-
At Cost	(599,775)	(599,775)
At Accumulated Amortisation	599,775	599,775
Carrying values at 30 June 2020	2,508,303	2,508,303
Cost	21,919,388	21,919,388
Accumulated Amortisation	(19,411,085)	(19,411,085)
Carrying values at 01 July 2018	9,607,059	9,607,059
Cost	21,561,537	21,561,537
Accumulated Amortisation	(11,954,478)	(11,954,478)
Amortisation during the Year:	(3,841,035)	(3,841,035)
Purchased	(3,841,035)	(3,841,035)
Carrying values at 30 June 2019	5,766,023	5,766,023
Cost	21,561,537	21,561,537
Accumulated Amortisation	(15,795,514)	(15,795,514)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31). All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality. No restrictions apply to any of the Intangible Assets of the municipality.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

2020 **2019**
R **R**

10. INTANGIBLE ASSETS (Continued)

Carrying amount of Assets subject to finance leases:

Carrying values at 1 July	4,251,791	7,270,097
Amortisation during the Year	(3,382,640)	(3,018,306)
Acquisitions during the Year	957,626	-
Carrying value at 30 June	1,826,777	4,251,791

Finance leases refer to note 18.1

11. INVESTMENT PROPERTY

At Cost less Accumulated Depreciation	209,343,620	208,868,734
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The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	208,868,734	206,425,168
Cost	211,061,423	208,401,008
Accumulated Depreciation	(2,192,689)	(1,975,840)
Acquisitions during the Year	813,318	2,660,415
Depreciation during the Year	(207,312)	(216,849)
Disposals during the Year:	(131,120)	-
At Cost	(131,120)	-
Carrying values at 30 June	209,343,620	208,868,734
Cost	211,743,621	211,061,423
Accumulated Depreciation	(2,400,001)	(2,192,689)

Estimated Fair Value of Investment Property at 30 June	211,743,621	211,061,423
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Revenue and Expenditure disclosed in the Statement of Financial Performance include: Rental		
Revenue earned from Investment Property	226,819	373,605

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. Impairment is assessed annually and if an indicator of impairment is identified, the investment property will be impaired.

There are no contractual obligations on Investment Property.

12. LONG-TERM RECEIVABLES

Staff were previously entitled to loans from the Municipality. This practice has been phased out by the Municipality in terms of the requirements of the MFMA. Subsequent to this change in policy, all loans have been repaid.

13. CONSUMER DEPOSITS

Electricity and Water	36,710,173	34,916,719
Total Consumer Deposits	36,710,173	34,916,719
Guarantees held in lieu of Electricity and Water Deposits	2,007,428	2,007,428

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer Deposits held.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

	2020 R	2019 R
14. EMPLOYEE BENEFITS		
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19 below)	9,246,000	8,088,000
Current Portion of Long Service Liability (See Note 19 below):	4,026,197	4,469,158
Ex-Gratia Arrangements	686,197	556,101
Long Service Awards	3,340,000	3,913,057
Accrued Leave	40,837,513	43,674,113
Staff Bonuses	12,127,540	11,673,386
Total Provisions	66,237,249	67,904,658

Accrued Leave accrues to the staff of the municipality on a monthly basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

15. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	330,749,125	220,986,625
Payments received in Advance	22,809,841	15,722,857
Other Payables	725,096	1,224,958
Total Payables	354,284,062	237,934,440

Various immaterial individual creditor balances have been restated for the prior year. Refer to Note 39 on "Correction of Error" for the quantum of the restatement as at 30 June 2019.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair value.

16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

16.1 Conditional Grants from Government	27,125,668	6,900,788
Grants	27,125,668	6,900,788
Total Conditional Grants and Receipts	27,125,668	6,900,788

See Note 26 for the reconciliation of Grants from Other Spheres of Government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld. Refer to Appendix "E" for more detail on Conditional Grants.

17. VAT PAYABLE FROM EXCHANGE TRANSACTIONS

Vat Payable from Exchange Transactions	78,501,913	66,226,471
Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.		

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

	2020 R	2019 R
18. LONG TERM LIABILITIES		
Annuity Loans	191,814,565	201,166,524
Finance Lease Liabilities	703,595	3,875,215
Sub-total	192,518,160	205,041,738
Less: Current Portion transferred to Current Liabilities:-	10,158,824	13,146,566
Annuity Loans	9,527,029	9,404,023
Finance Lease Liabilities	631,795	3,742,543
Total Long-term Liabilities	182,359,336	191,895,172

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

R24,000,000 of the Debtors book as well as an investment of R20,973,203 with Standard Bank have been ceded as security on two of the loans with the DBSA .

18.1 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease	
	2020 R	2019 R	2020 R	2019 R
Amounts payable under finance leases:				
Within one year	644,888	4,199,043	631,795	3,742,543
In the second to fifth years, inclusive	71,800	167,298	71,800	132,672
	716,688	4,366,341	703,595	3,875,215
Present Value of Minimum Lease Obligations	716,688	4,366,341	703,595	3,875,215
Less: Amounts due for settlement within 12 months (Current Portion)			631,795	3,742,543
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			71,800	132,672
Minimum Lease Payments			716,688	4,366,341
Present Value of Minimum Lease			703,595	3,875,215
Future finance charges			13,093	491,126

The municipality has finance lease agreements for the following significant classes of assets:

- Software Licenses

Included in these classes are the following significant lease:

(i) Microsoft Licensing agreement

- Instalments are payable yearly in advance

- Average period outstanding

- Average effective interest rate

- Average yearly instalment

6 months	18 months
10.25%	10.25%
2,803,279	2,649,766

19. EMPLOYEE BENEFIT LIABILITIES

Long Service Awards	14,531,000	13,595,601
Ex-Gratia Arrangements	581,390	754,124
Post-retirement Health Care Benefits Liability	230,319,000	249,400,148
Total Non-current Provisions	245,431,390	263,749,873

The movement in Employee Benefit Liabilities are reconciled as follows:

19.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	257,488,148	230,111,648
Contributions to Provision	(5,219,553)	(7,693,959)
Expenditure incurred	35,005,205	31,961,940
Actuarial loss/(gain)	(47,708,800)	3,108,519
Wholly unfunded balance at year end	239,565,000	257,488,148
Transfer to Current Provisions	(9,246,000)	(8,088,000)
Total Post-retirement Health Care Benefits Liability	230,319,000	249,400,148

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by C Weiss, Fellow member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service (employee) members	1,234	1,281
In-service (employee) non-members	157	136
Continuation Members (retirees and widowers)	213	208
Total Members	1,604	1,625

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

2020
R

2019
R

19. EMPLOYEE BENEFIT LIABILITIES (Continued)

The liability in respect of past service has been estimated as follows:

In-service Members	137,321,000	155,672,600
In-service Non-members	4,509,000	4,867,948
Continuation Members	97,735,000	96,947,600
Total Liability	239,565,000	257,488,148

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Key Health
- LA Health
- Samwumed

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	10.46%	9.49%
Health Care Cost Inflation Rate	6.50%	6.93%
Net Effective Discount Rate	3.72%	2.39%
Expected Rate of Salary Increase (ERSI)	4.50%	4.82%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	257,488,148	230,111,648
Current service costs	10,944,638	10,232,070
Interest cost	24,060,567	21,729,870
Benefits paid	(5,219,553)	(7,693,959)
Actuarial loss/(gain)	(47,708,800)	3,108,519
Present Value of Fund Obligation at the end of the Year	239,565,000	257,488,148
Total Recognised Benefit Liability	239,565,000	257,488,148

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	239,565,000	257,488,148
Total Benefit Liability	239,565,000	257,488,148

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	10,944,638	10,232,070
Interest cost	24,060,567	21,729,870
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	35,005,205	31,961,940

The history of experienced adjustments is as follows:

	2020	2019	2018	2017	2016
	R	R	R	R	R
Present Value of Defined Benefit Obligation	239,565,000	257,488,148	230,111,648	224,747,155	174,409,000
Deficit	239,565,000	257,488,148	230,111,648	224,747,155	174,409,000

2020
R

2019
R

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	38,159,000	33,196,000
Effect on the defined benefit obligation	257,125,000	278,029,000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	31,177,500	30,179,000
Effect on the defined benefit obligation	218,978,000	232,633,000

Refer to Note 49 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

	2020 R	2019 R
19. EMPLOYEE BENEFIT LIABILITIES (Continued)		
19.2 Ex-Gratia Arrangements		
Balance at beginning of year	1,310,225	1,059,840
Interest cost	75,394	77,638
Expenditure incurred / Contribution	(556,101)	(209,123)
Actuarial Loss / (Gain)	438,069	381,870
	<u>1,267,587</u>	<u>1,310,225</u>
Transfer to current provisions	(686,197)	(556,101)
Balance at end of year	<u>581,390</u>	<u>754,124</u>

Ex-gratia pensions are pensions that are paid by the Municipality from its revenue i.e. they are not funded or paid from one of the Municipality's pension arrangements. Provision has therefore not been made in this valuation for the possibility that future employees might be entitled to these annuities.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by C Weiss, Fellow member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end there were 31 remaining employees eligible for Ex-gratia arrangement awards.

The interest costs for the year is estimated to be:	75,394	77,638
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The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	5.10%	7.27%
Net Effective Discount Rate	2.18%	2.13%
Expected Rate of Salary Increase	2.86%	5.03%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	1,310,225	1,059,840
Expenditure incurred / Contribution	(556,101)	(209,123)
Present Value of Fund Obligation at the end of the Year	<u>1,267,587</u>	<u>1,310,225</u>
Total Recognised Benefit Liability	<u>581,390</u>	<u>754,124</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Interest cost	75,394	77,638
Actuarial loss	438,069	381,870
Total Post-retirement Benefit included in Employee Related Costs	<u>513,463</u>	<u>459,508</u>

The history of experienced adjustments is as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Present Value of Defined Benefit Obligation	1,267,587	1,310,225	1,059,840	1,634,168	1,491,443
Deficit	<u>1,267,587</u>	<u>1,310,225</u>	<u>1,059,840</u>	<u>1,634,168</u>	<u>1,491,443</u>

	2020 R	2019 R
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The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:

Effect on the aggregate of the interest cost	76,658	84,797
Effect on the defined benefit obligation	1,279,660	1,335,082

Decrease:

Effect on the aggregate of the interest cost	74,165	70,042
Effect on the defined benefit obligation	1,255,839	1,286,592

19.3 Long Service Awards

Balance at beginning of year	17,508,658	17,130,350
Current service cost	1,743,438	1,599,723
Interest cost	1,211,244	1,243,068
Expenditure incurred / Contribution	(3,913,057)	(3,792,677)
Actuarial Loss / (Gain)	1,320,717	1,328,194
	<u>17,871,000</u>	<u>17,508,658</u>
Transfer to current provisions	(3,340,000)	(3,913,057)
Balance at end of year	<u>14,531,000</u>	<u>13,595,601</u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

19. EMPLOYEE BENEFIT LIABILITIES (Continued)

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in future, based on an actuarial valuation performed.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by C Weiss, Fellow member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end employees eligible for Long-service Awards:	1,391	1,417
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The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	6.33%	7.77%
Cost Inflation Rate	3.32%	5.34%
Net Effective Discount Rate	2.91%	2.31%
Expected Rate of Salary Increase	6.25%	5.34%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	17,508,658	17,130,350
Current service costs	1,743,438	1,599,723
Interest cost	1,211,244	1,243,068
Benefits paid	(3,913,057)	(3,792,677)
Actuarial loss / (gains)	1,320,717	1,328,194
Present Value of Fund Obligation at the end of the Year	17,871,000	17,508,658
Total Recognised Benefit Liability	17,871,000	17,508,658

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	17,871,000	17,508,658
Total Benefit Liability	17,871,000	17,508,658

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1,743,438	1,599,723
Interest cost	1,211,244	1,243,068
Benefits paid	(3,913,057)	(3,792,677)
Actuarial loss / (gains)	1,320,717	1,328,194
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	362,342	378,308

The history of experienced adjustments is as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Obligation	17,871,000	17,508,658	17,130,350	16,543,810	18,179,623
Deficit	17,871,000	17,508,658	17,130,350	16,543,810	18,179,623

2020 R	2019 R
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The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	3,076,600	2,979,100
Effect on the defined benefit obligation	18,428,000	18,233,000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	2,840,000	2,927,100
Effect on the defined benefit obligation	17,343,000	16,837,000

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

	2020 R	2019 R
20. NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	298,020	476,543
Total Non-current Provisions	298,020	476,543

The movement in Non-current Provisions are reconciled as follows:

20.1 Rehabilitation of Land-fill Sites

Balance at beginning of year	476,543	474,788
Expenditure incurred / Contribution	(178,523)	1,755
Balance at end of year	298,020	476,543

In terms of the licensing of the landfill refuse sites, the municipality will incur the following licensing and rehabilitation costs to restore the site at the end of its useful life, estimated to be 90.9 years (provision has been made for the net present value of this cost, using the average cost of borrowing interest rate):

298,020	476,543
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An independent valuer performed the valuation. The valuer based his calculations on the rehabilitation costs incurred on a similar site in the Eastern Cape area.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Inflation Rate	4.00%	5.10%
Size of landfill site in hectares	16	16
Annual tonnage of waste deposited	72,000	72,000

Approximately 1ha per year of the landfill site is considered to be filled with no air space remaining and may be prepared for rehabilitation.

21. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	43,753,467	39,313,206
Self-insurance Reserve	14,554,815	22,615,921
C.O.I.D. Reserve	11,175,544	10,843,202
Accumulated Surplus due to the results of Operations	2,841,667,542	2,604,408,929
Total Accumulated Surplus	2,911,151,369	2,677,181,257

The **Capital Replacement Reserve (CRR)** is a reserve to finance future capital expenditure and is fully cash backed.

The **Self-insurance Reserve** covers all internal and external insurance claims against Council. Council is externally insured for catastrophic events.

The Compensation Commissioner for Occupational Injuries and Diseases (**C.O.I.D.**) Reserve arises on the exemption from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act. A fixed deposit as determined by the Commissioner was made as a security to the Self-Insurance Workman Compensation Reserve.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

			2020 R	2019 R
22. PROPERTY RATES				
	Property Valuations	Actual Levies		
	July 2019 R000's	July 2018 R000's		
Residential	20,606,752	17,177,665	171,818,867	150,951,912
Business	6,364,832	4,974,780	178,278,448	136,804,442
Rural	2,274,236	1,874,404	3,716,976	3,816,524
Industrial	733,570	474,653	20,324,597	14,255,733
PSI	128,870	75,484	-	-
State	3,222,774	3,031,720	155,852,952	184,146,699
Mining Areas	111,374	106,456	25,081,569	22,911,050
Exempt	2,106,895	2,257,667	-	-
Total Assessment Rates	35,549,302	29,972,828	555,073,410	512,886,361

Valuations on land and buildings are performed every four years in terms of the Municipal property rates act (MPRA). The last general valuation came into effect on 1 July 2019. Supplementary valuations are processed when necessary to take into account changes in individual property values due to alterations, subdivisions, etc. Rates are levied on a monthly basis. Ratepayers can apply to pay rates yearly with the final date of payment being 30 September each year. Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. A rebate of 60% was allowed on residential properties for pensioners based on the annual income of the ratepayer's household.

23. INTEREST EARNED	2020 R	2019 R
External Investments:		
Interest	5,502,609	10,001,619
Outstanding Debtors:		
Interest	145,492,162	141,429,154
Total Interest Earned	150,994,771	151,430,773
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Financial instruments at amortised cost	150,994,771	151,430,773

24. SERVICE CHARGES		
Sale of Electricity	664,827,741	552,570,432
Sale of Water	258,618,435	236,575,397
Refuse Removal	52,564,008	48,721,099
Sewerage and Sanitation Charges	73,118,817	67,380,657
Total Service Charges	1,049,129,002	905,247,585

As per GRAP 9 and the accounting standards board frequently asked questions 6.1, the municipality have not recognised revenue foregone relating to free basic services and internal consumption as there is no intention to collect the revenue related to the free or subsidised goods and services. The value of revenue foregone directly reducing the amounts in note 22 and 24 is R78 699 239 (2018/19: R85 988 091). Revenue foregone with regards to discount have been recognised in terms of iGRAP 1 as a direct reduction in revenue disclosed in note 22 and 24 to the value of R35 947 104 (2018/19: R41 042 826).

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

25. RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Facilities and Equipment	11,426,831	11,092,199
Total Rental of Facilities and Equipment	11,426,831	11,092,199

Rental revenue earned on Facilities and Equipment is in respect of residential buildings rented out.

26. GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants		
National Equitable Share	189,149,619	172,437,000
Other Subsidies	8,128,000	7,800,000
Operational Grants	197,277,619	180,237,000
Conditional Grants	160,548,311	209,126,355
National: Financial Management Grant (FMG)	1,700,000	1,700,000
National: Municipal Infrastructure Grant (MIG)/Integrated Urban Development Grant(IUDG)	53,039,286	52,241,777
National: Grants	94,471,332	143,977,185
National: Expanded Public Works Programme (EPWP)	3,608,000	3,137,000
Provincial: Grants	-	6,550,144
Local Government: Local Municipalities Grant	7,729,692	1,520,248
Total Government Grants and Subsidies	357,825,929	389,363,355

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

	2020 R	2019 R
26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
Unconditional Grants:		
26.1 National Equitable Share:	<u>189,149,619</u>	<u>172,437,000</u>
This unconditional grant is partly used to subsidise the provision of basic services to registered and verified indigent community members.		
26.2 Provincial Health Subsidies:		
Balance unspent at beginning of year	-	-
Current year receipts - included in Public Health vote	-	-
- Primary Health	-	-
Conditions met - transferred to Revenue	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Municipality renders health services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively for health services (included in Appendix E).		
26.3 Other Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts:	8,128,000	7,800,000
- Library	7,800,000	7,800,000
- Miscellaneous	328,000	-
Conditions met - transferred to Revenue	(8,128,000)	(7,800,000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Municipality renders services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively to library expenditure (included in Appendix E). The conditions of the grant have been met.		
Conditional Grants:		
26.4 National: FMG		
Balance unspent at beginning of year	-	-
Current year receipts	1,700,000	1,700,000
Conditions met - transferred to Revenue: Operating Expenses	(1,700,000)	(1,700,000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Financial Management Grant is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). The grant is spent in accordance with National Treasury guidelines (included in Appendix E). Not all funds have been paid.		
26.5 National: MIG/IUDG		
Balance unspent at beginning of year	2,377,327	5,803,104
Current year receipts	50,661,959	48,816,000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(53,039,286)	(52,241,777)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	2,377,327
This grant was used for various projects (included in Appendix E). No funds have been withheld.		
26.6 National: Grants		
Balance unspent at beginning of year	4,523,461	17,990,804
Current year receipts	117,073,539	130,509,842
Conditions met - transferred to Revenue: Operating Expenses	(4,500,000)	(5,048,846)
Conditions met - transferred to Revenue: Capital Expenses	(89,971,332)	(138,928,339)
Conditions still to be met - transferred to Liabilities (see Note 16)	27,125,668	4,523,461
This grant was used for various projects (included in Appendix E). No funds have been withheld.		
26.7 National - EPWP		
Balance unspent at beginning of year	-	-
Current year receipts	3,608,000	3,137,000
Conditions met - transferred to Revenue: Operating Expenses	(3,608,000)	(3,137,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
This grant was used for various projects (included in Appendix E). No funds have been withheld.		
26.8 Provincial: Grants		
Balance unspent at beginning of year	-	6,038,144
Current year receipts	-	512,000
Conditions met - transferred to Revenue: Operating Expenses	-	(466,658)
Conditions met - transferred to Revenue: Capital Expenses	-	(6,083,487)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The grant is spent in accordance with business plans approved by the Provincial Government (included in Appendix E). Not all funds have been paid.		

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

	2020 R	2019 R
26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
26.9 Local Government - Local Municipalities		
Balance unspent at beginning of year	-	-
Current year receipts	7,729,692	1,520,248
Conditions met - transferred to Revenue: Operating Expenses	(7,729,692)	(1,520,248)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The grant is spent in accordance with business plans approved by the FBD Municipality (included in Appendix E). No funds have been withheld.	-	-
26.10 Changes in levels of Government Grants		
Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2008), government grant funding is expected to increase over the forthcoming three financial years.		
27. PUBLIC CONTRIBUTIONS AND DONATIONS		
Donations Received	-	-
Total Public Contributions and Donations	-	-
28. OTHER INCOME		
Premiums received and claims recovered	995,668	959,674
Admission, Academic and transaction fees	5,848,223	5,286,129
Burial fees	1,524,184	863,922
Building Plan Approvals	2,867,303	1,817,529
Market Fees	1,871,157	1,699,553
Unclaimed fines, deposits and stale cheques	7,772,411	3,315,267
Various (including camping fees, advertising, etc)	2,929,941	2,367,081
Total Other Income	23,808,886	16,309,156
The amounts disclosed above for Other Income are in respect of services, other than described in Notes 22 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.		
29. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	384,858,629	365,624,913
Employee Related Costs - Contributions for UIF and Medical Aids	51,775,755	48,189,421
Employee Related Costs - Contributions for Pensions	59,739,336	56,517,360
Employee Related Costs - 13th Annual Cheque	27,067,428	26,335,672
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	82,195,938	95,453,810
Housing Benefits and Allowances	2,805,096	2,673,534
Overtime Payments	34,230,784	41,467,184
Long-service Awards	15,658,039	12,602,435
Defined Benefit Plan Expense:	(5,046,733)	39,700,952
Current Service Cost	15,556,076	11,831,793
Interest Cost	25,347,205	23,050,576
Net Actuarial loss/(gain) recognised	(45,950,014)	4,818,583
Total Employee Related Costs	653,284,271	688,565,281
Remuneration of the Municipal Manager		
Annual Remuneration	2,306,380	2,228,436
Car Allowance	203,798	157,500
Company Contributions to UIF, Medical and Pension Funds	36,426	35,385
Total	2,546,604	2,421,321
Remuneration of the Director: Finance		
Annual Remuneration	1,491,290	1,335,516
Car Allowance	689,667	418,002
Company Contributions to UIF, Medical and Pension Funds	238,744	238,741
Total	2,419,702	1,992,259
Remuneration of the Director: Corporate Services		
Annual Remuneration	1,146,137	1,146,137
Car Allowance	379,802	379,802
Company Contributions to UIF, Medical and Pension Funds	250,389	250,389
Total	1,776,327	1,776,327

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

	2020 R	2019 R
29. EMPLOYEE RELATED COSTS (Continued)		
<i>Remuneration of the Director: Strategy, Economic Development and Planning</i>		
Annual Remuneration	1,210,544	1,182,619
Car Allowance	353,437	337,516
Company Contributions to UIF, Medical and Pension Funds	270,931	267,592
Total	1,834,912	1,787,727
<i>Remuneration of the Director: Community Services</i>		
Annual Remuneration	1,319,667	1,394,056
Car Allowance	256,676	259,394
Company Contributions to UIF, Medical and Pension Funds	317,609	319,641
Total	1,893,952	1,973,091
<i>Remuneration of the Director: Technical Services</i>		
Annual Remuneration	991,318	1,152,777
Car Allowance	360,730	360,730
Company Contributions to UIF, Medical and Pension Funds	336,739	191,167
Total	1,688,787	1,704,674
The post was vacant for a part of the year. The above amounts includes acting employees. The following compensation was payable to key management personnel in terms of GRAP as at 30 June:		
Staff Leave Benefits:-		
Municipal Manager	468,712	317,209
Chief Financial Officer	166,454	168,143
Director Community	73,436	68,540
Director Corporate	73,639	95,426
Director SED	149,509	149,509
Director Technical	116,790	39,625
Total	1,048,540	838,452
30. REMUNERATION OF COUNCILLORS		
Executive Mayor	1,091,397	963,519
Speaker	881,997	529,347
Councillors	20,009,107	18,226,121
Contributions to UIF, Medical and Pension Funds and other allowances	8,384,886	8,668,571
Total Councillors' Remuneration	30,367,388	28,387,557
<i>In-kind Benefits</i>		
The Councillors occupying the positions of Executive Mayor, Speaker and the Mayoral Committee serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties. Council owned vehicles are made available for official duties.		
31. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	64,578,544	57,855,058
Amortisation: Intangible Assets	4,215,346	3,841,035
Depreciation: Investment Property	207,312	216,849
Total Depreciation and Amortisation	69,001,202	61,912,942
32. IMPAIRMENT LOSS		
32.1 Impairment Loss on Financial Assets		
Impairment Losses Recognised:		
Trade Receivables from exchange transactions	247,974,705	205,848,140
Trade Receivables from non-exchange transactions	288,167,939	179,889,567
	(40,193,234)	25,958,573
	247,974,705	205,848,140
Total Impairment Loss	247,974,705	205,848,140
33. FINANCE COSTS		
Loans and Payables at amortised cost	24,948,017	25,790,059
Interest on overdue accounts	5,633,631	-
Finance Leases	515,487	460,376
Total Interest Expense	31,097,135	26,250,436
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest Paid on External Borrowings	31,097,135	26,250,436
34. BULK PURCHASES		
Electricity	515,936,905	459,677,783
Water	109,258,275	94,759,879
Total Bulk Purchases	625,195,180	554,437,661

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the Department Water Affairs and Forestry.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

	2020 R	2019 R
35. CONTRACTED SERVICES		
Audit committee	873,885	606,248
Legal and collection cost	8,738,110	11,439,126
Maintenance of Equipment and Security	824,843	7,480,037
Project Management	4,340,473	2,734,500
Prepaid Vendor	22,506,908	19,018,659
Other Contracted Services	1,062,196	1,063,262
Total Grants and Subsidies	38,346,415	42,341,831

36. GRANTS AND SUBSIDIES PAID

Other Grants	733,463	2,240,284
Subsidy paid to Society for Prevention of Cruelty against Animals (SPCA)	2,000,000	1,700,000
Total Grants and Subsidies	2,733,463	3,940,284

The grants to the festivals are to promote economic growth. The subsidy to the SPCA is to assist the municipality to care for stray animals and other related tasks. The subsidy is paid on an annual basis.

37. GENERAL EXPENSES

Repairs and Maintenance		
Hardware in Store	5,513,212	5,448,023
Stores Workshop	928,091	1,283,673
Building Maintenance	6,443,469	10,179,912
Electricity Maintenance	16,065,801	16,956,017
Fleet Maintenance	2,159,873	140,243
General Maintenance	18,363,555	22,173,918
Other Materials - Clarification/Purification Chemicals	7,146,349	7,818,133
Other Materials -Cleaning material	4,165,541	1,775,163
Other Materials - Fuel	11,489,235	13,426,776
Other Materials - Stationery	3,110,244	4,454,320
Other Materials	31,959	52,390
Refuse Maintenance	19,575,777	20,817,551
Roads	26,339,104	24,360,402
Safety	3,785	1,244
Sewer	5,216,706	13,994,149
Streetlights	8,070,780	7,019,274
Water	18,112,426	11,034,555
Sub Total Repairs and Maintenance	152,735,907	160,935,744
Other Expenses		
Audit fees	5,325,545	4,916,749
Bank charges	2,604,413	2,605,325
Catering municipal activities	205,443	336,438
Conferences and seminars	5,121,208	7,221,373
Course fees/Skills development levy	5,145,961	5,998,900
Electricity	29,130,275	19,749,610
Indigent relief	2,308,137	1,679,212
Interns and learner ships	2,279,232	3,542,770
Insurance and claims	11,510,277	5,749,312
Membership fees	7,569,896	7,388,171
Postage	2,791,393	3,372,535
Printing and stationary	1,848,730	1,113,201
Software licences and Computer services	4,347,927	3,890,627
Sport/Transport events	5,310	995,451
Telephone expenditure	4,756,441	4,549,230
Uniforms and Protective clothing	3,444,356	4,374,366
Vehicle licences	1,093,641	1,209,542
Vehicle tracking	717,340	722,020
Water	137,554	115,995
Water resource management fee	2,387,563	2,334,600
Ward committee activities	3,817,500	3,962,637
Other General Expenses	3,922,978	4,045,937
Sub Total Other Expenses	100,471,123	89,874,001
Total General Expenses	253,207,030	250,809,745

The comparative figures for General Expenses have been restated to correct errors contained in the prior year Financial Statements. Refer to note 39 on Correction of Errors for details of the restatement. The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

2019

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38. CHANGE IN ACCOUNTING POLICY

There were no changes in accounting policy during the current financial year under review.

39. CORRECTION OF ERROR

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended before 30 June 2018.

Details of the appropriations are as follows:

Unappropriated Surplus Account:

Corrections to Inventory	159
Corrections to Depreciation on Intangible assets	(200,041)
Corrections to Depreciation on Investment Property	10,103
Corrections to Depreciation on Property, Plant and Equipment	(2,604)
Corrections to Income	(184,159)
Corrections to Intangible assets	599,775
Corrections to Property, Plant and Equipment	22,960
Increase / (Decrease) in Unappropriated Surplus Account	246,193
Increase / (Decrease) in Accumulated Surplus Account	246,193

39.1 Restatement of Revenue:

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality. Refer to note 39.8 for further details regarding the nature of these errors and how it was rectified.

The effect of the Correction of Error is as follows:

	2019 Revenue	2019 Correction	Restated Amount
Service Charges	905,350,099	(102,514)	905,247,585
	1,823,908,971	(102,514)	1,823,806,457

39.2 Restatement of Expenditure:

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality. Refer to note 39.6 and 39.9 for further details regarding the nature of these errors and how it was rectified.

The effect of the Correction of Error is as follows:

	2019 Expenditure	2019 Correction	Restated Amount
Depreciation and Amortisation	61,696,778	216,164	61,912,942
General Expenses	249,003,787	1,805,958	250,809,745
	1,247,455,818	2,022,123	1,249,477,940

39.3 Restatement of Statement of Financial Position:

The prior year balances of items on the Statement of Financial Position have been restated to correctly classify the nature of the balances.

The effect of the Correction of Error is as follows:

	2019 Fin Position	2019 Correction	Restated Amount
Accumulated Surplus	2,679,059,700	(1,878,443)	2,677,181,257
Property, Plant and Equipment	1,741,180,616	(1,801,841)	1,739,378,774
Intangible Assets	5,566,214	199,809	5,766,023
Investment Property	208,858,631	10,103	208,868,734
Inventory	39,015,034	159	39,015,193
Trade Receivables from Exchange Transactions	944,327,502	(286,673)	944,040,829
Statutory Receivables from Non-Exchange Transactions	477,888,669	(57,593,899)	420,294,770
Trade Receivables from Non-Exchange Transactions	-	57,593,899	57,593,899
	1,711,863,939	(3,756,886)	1,711,787,338

39.4 Restatement of Non-current Liabilities:

No restatements for the financial year.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

39. CORRECTION OF ERROR (Continued)

39.5 Restatement of Current Liabilities:

No restatements for the financial year.

39.6 Restatement of Non-Current Assets

The prior year figures for Property, Plant and Equipment(PPE), intangibles and Investment properties had to be corrected as a result of a changes in the asset register. This correction was done retrospectively and impacted on PPE and the Surplus Account. This oversight has been rectified and the restated figure is reflected below.

The effect of the Correction of Error is as follows:

	Intangibles	Property, Plant and Equipment	Investment Property
Balances as per AFS previously published for 2018/2019	5,566,214	1,741,180,616	208,858,631
Restatement of non-current assets	199,809	(1,801,841)	10,103
Balances as per current AFS published for 2018/2019	<u>5,766,023</u>	<u>1,739,378,774</u>	<u>208,868,734</u>

39.7 Restatement of Accumulated Depreciation:

The prior year figure for Depreciation had to be corrected.

The effect of the Correction of Error is as follows:

	Accumulated Depreciation on PPE
Balances as per AFS previously published for 2018/2019	722,318,448
Restatement of Depreciation	18,843
Balances as per current AFS published for 2018/2019	<u>722,337,291</u>

39.8 Adjustment of Revenue:

Included in the restated prior year figures, Services Charges (refer to Note 24) was restated by a few smaller amounts.

The effect of the Correction of Error is as follows:

	Service Charges
Balances as per AFS previously published for 2018/2019	905,350,099
Adjustment of prior period revenue	(102,514)
Balances as per current AFS published for 2018/2019	<u>905,247,585</u>

39.9 Adjustment of Expenses:

The prior year figure for General expenditure and Depreciation were adjusted after corrections were identified. The relevant expenditure categorie and the Surplus Account were corrected. The restated figure is reflected below.

The effect of the Correction of Error is as follows:

	General Expenses	Depreciation and Amortisation
Balances as per AFS previously published for 2018/2019	249,003,787	61,696,778
Adjustment of prior period expenses	1,805,958	216,164
Balances as per current AFS published for 2018/2019	<u>250,809,745</u>	<u>61,912,942</u>

39.10 Restatement of Current Assets

Included in the prior year's restated balance for Current Assets is a restated balance for Inventory as a result of a correction in Low cost housing. The effect on Accumulated Surplus and on Current Assets is reflected below.

The effect of the Correction of Error is as follows:

	Current Assets
Balances as per AFS previously published for 2018/2019	1,558,311,814
Adjustment for prior period error	(286,514)
Balances as per current AFS published for 2018/2019	<u>1,558,025,301</u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

	2020 R	2019 R
40. CHANGE IN ACCOUNTING ESTIMATES		
No changes were made to existing accounting estimates during the current financial year that could potentially have a material impact on the Annual Financial Statements.		
41. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	233,970,111	167,777,073
Adjustment for:		
Adjusting non cash flow items prior errors	448,220	(184,000)
Adjusting non cash flow items	(255,320)	(63,784)
Depreciation and Amortisation	69,783,508	62,491,948
Contribution to Impairment Provision	228,599,152	208,288,655
Bad Debts Written-off	(390,353,002)	(56,000,184)
Interest earned	(150,994,771)	(151,430,773)
Finance Costs	30,761,896	26,096,576
Operating surplus before working capital changes	21,959,794	256,975,512
(Increase)/Decrease in Inventories	3,240,225	(3,205,612)
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(39,882,467)	(248,868,676)
(Increase)/Decrease in Trade Receivables from Non-Exchange Transactions	(46,469,894)	(76,374,528)
(Increase)/Decrease in VAT Receivable	(15,519,599)	9,993,535
Increase/(Decrease) in Consumer Deposits	1,793,454	2,576,026
Increase/(Decrease) in Creditors	116,349,622	67,924,555
Increase/(Decrease) in Conditional Grants and Receipts	20,224,880	(22,931,264)
(Increase)/Decrease in Provisions and Employee Benefits	(20,164,415)	35,154,687
Increase/(Decrease) in VAT Payable	12,275,443	10,239,577
Cash generated by / (utilised in) Operations	53,807,043	31,483,813
Income for the year	2,186,111,308	2,030,786,174
Adjustment for:-		
Investment income	(150,994,771)	(151,430,773)
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(39,882,467)	(248,868,676)
Bad Debts Written-off	(390,353,002)	(56,000,184)
Increase/(Decrease) in Consumer Deposits	1,793,454	2,576,026
(Increase)/Decrease in Trade Receivables from Non-Exchange Transactions	(46,469,894)	(76,374,528)
(Decrease)/Increase in conditional grants and receipts	20,224,880	(22,931,264)
Cash receipts from ratepayers, government and other	1,580,429,509	1,477,756,775
Grants received	(357,825,929)	(389,363,355)
Sale of goods and services	1,222,603,580	1,088,393,420
Expenditure for the year	1,952,141,197	1,863,009,101
Adjustment for:-		
Depreciation	69,783,508	62,491,948
Contribution to bad debt provision	228,599,152	208,288,655
Adjusting non cash flow items prior errors	448,220	(184,000)
Adjusting non cash flow items	(255,320)	(63,784)
Interest paid	30,761,896	26,096,576
Operating expenditure before working capital changes:	1,622,803,742	1,566,379,705
(Increase)/Decrease in inventories	3,240,225	(3,205,612)
(Decrease)/Increase in creditors	116,349,622	67,924,555
(increase)/Decrease in Provisions and Employee Benefits	(20,164,415)	35,154,687
(decrease)/Increase in VAT	(3,244,157)	20,233,111
Cash paid to suppliers and employees	1,526,622,466	1,446,272,963
Employee Costs	653,284,271	688,565,281
Suppliers paid	873,338,194	757,707,681
Cash generated by/(utilized in) operations	53,807,043	31,483,813
42. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the		
43. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility payable at call:		
- Amount used	-	-
- Amount unused	-	-

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

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44. LONG-TERM LIABILITIES

Long-term Liabilities (See Note 18)	192,518,160	205,041,738
Long-term Liabilities have been utilised in accordance with section 46 of the Municipal Finance Management Act. See detail information in Appendix A.		

45. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

45.1 Unauthorised Expenditure

To management's best of knowledge the following Unauthorised Expenditure was incurred during the year under review.

	2020 R	2019 R	2018 R
Reconciliation of Unauthorised Expenditure:			
Opening balance	-	-	-
Unauthorised Expenditure current year	-	-	-
Approved by Council	-	-	-
Unauthorised Expenditure awaiting authorisation	-	-	-

45.2 Fruitless and Wasteful Expenditure

	2020 R	2019 R
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	-	-
Fruitless and Wasteful Expenditure current year	8,543,027	-
Fruitless and Wasteful Expenditure incurred in the prior year identified in the current year	5,911,687	-
Fruitless and Wasteful Expenditure reversed	-	-
Written off by Council	-	-
Fruitless and Wasteful Expenditure awaiting condonement	14,454,714	-

Incident	Amount	Causes
Interest on ESKOM late payments.	6,835,187	Interest and penalties paid to ESKOM.
Settlement agreements.	5,889,053	Settlements paid to suppliers due to disputes.
Various incidents.	1,730,473	Penalties, interest paid on over due accounts, labour matters, court orders and settlements.

45.3 Irregular Expenditure

	2020 R	2019 R	2018 R
Reconciliation of Irregular Expenditure:			
Opening balance	52,846,817	15,874,989	-
Correction prior period error	-	(390,634)	-
Irregular Expenditure current year	92,269,926	40,778,964	14,761,323
Irregular Expenditure incurred in the prior year identified in the current year	165,760,999	-	1,113,666
Amount recoverable	-	-	-
Written off by Council or ratified by Accounting Officer	-	(3,416,502)	-
Irregular Expenditure awaiting condonement	310,877,742	52,846,817	15,874,989

Cases under investigation:

Incident	Amount	Causes
Legal Fees	16,650,416	Supply Chain Management Procedures not followed.
Non compliance with SCM regulations	81,795,640	Various contracts expired not renewed in time.
Non compliance with SCM regulations	129,773,759	Various awards were made to suppliers in contravention of the Supply Chain Management Regulations.
Non compliance with SCM regulations	82,657,927	Long term contracts advertised for less than the required 30 days.

The nature of the above irregular expenditure have been disclosed, the extent is still under investigation.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

2020 **2019**
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46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

46.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	7,569,896	7,388,171
Amount Paid - current year	(7,569,896)	(7,388,171)
Balance Unpaid (included in Creditors)	-	-

46.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	5,325,545	4,916,749
Amount Paid - current year	(5,325,545)	(4,916,749)
Balance Unpaid (included in Creditors)	-	-

46.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in Note 8 and 17. All VAT returns have been submitted by the due date throughout the year.

46.4 PAYE and UIF

Opening Balance	-	-
Current year Payroll Deductions	108,504,530	104,235,738
Amount Paid - current year	(99,618,946)	(104,235,738)
Balance Unpaid (included in Creditors)	8,885,584	-

46.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	166,912,424	157,974,220
Amount Paid - current year	(152,959,811)	(157,974,220)
Balance Unpaid (included in Creditors)	13,952,613	-

46.6 Councillors arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2020	Total	Outstanding more than 90 days
BADENHORST J & EL	73,013	73,013
FRANCIS GG & BP	3,488	3,488
PHILLIPUS J	40,011	40,011
SPRINGBOK B & M	2,286	2,286
RT MORWE	54,293	54,293
KEME BJ	2,344	2,344
PLAATJIE OB	4,409	4,409
KIKA SN	125,485	125,485
MABILO SP	31,985	31,985
MABILO SP	153,658	153,658
MABILO SP	31,584	31,584
Total Councillor Arrear Consumer Accounts	522,555	522,555

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)

30 June 2019	Total	Outstanding more than 90 days
BADENHORST J & EL	79,015	79,015
FRANCIS GG & BP	11,156	11,156
KEME BJ	186	186
KIKA SN	140,795	140,795
MEINTJIES M	11,138	11,138
PHIRI KC	20,073	20,073
MABILO SP	218,817	218,817
PLAATJIE OB	13,376	13,376
Total Councillor Arrear Consumer Accounts	494,556	494,556

46.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at the reporting date.

46.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council. The Municipality has deviated from the procurement policy, the details of which were reported to council (refer to appendix F).

46.9 Material losses

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding water losses as a result of various factors for example burst pipes and stand pipes not metered is 62,30%, 23 300 281kl (2019: 61.65%, 22 961 160 kl) is disclosed to the amount of:

2020 R	2019 R
68,073,242	58,422,743

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding electricity losses as a result of various factors are 19.25%, 93 841 831 kWh (2019: 25.57%, 128 150 719 kWh) is disclosed to the amount of:

99,335,064	117,523,957
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46.10 Suppliers in service of the State

The municipality bought goods from the following companies, which are considered to be in service of the State.

Name Supplier	Related Person	Municipal Capacity	Purchases for the year	Purchases for the year
Kalafo Trading	GM Phalane	Office of the Premier	-	345,603
Kalafo Trading	M Ndzilili	Department Environment and	12,652	-
Qongo TG Trading	Mother	Nursing Sister	1,244,615	36,072
Naledi Chemicals	D De Haast	Department of Education	216,831	10,736
ASAP 1179 Trd as Meago Services	S Paulse	Librarian	256,967	190,508
Moedi Consulting Engineers	C Abrams	Dr Kenneth Kaunda D Municipality	268,020	445,172
J&B Communication	A Abbott	Working at IT	353,189	752,709
BEA Productions (PTY)LTD	EM Kock	SAPS Roodepan	-	26,595
Thembinkosi Trading	TM Pollo	Waterworks	1,950	-
NB Mechanical Sales	Librarian	Department of Sports and Arts Culture	12,356,064	2,482,768
S & R Enterprises	Librarian	Department of Sports and Arts Culture	16,490,775	1,287,477
Towelland Groenewaldt	L Groenewaldt	Electrical Engineer	5,860,192	-
Madreese Trading	R Brooker	Sol Plaatje Municipality	235,635	-
GAP Electrical	D Lehane	ASAPS Explosive Unit clerk	469,061	-
Conlog Pty Ltd	N Moody	Department of Health	2,341,858	399,349
BoinkoTrading and Enterprise	D Nkomo	Department of Health	79,405	766,966
Total Purchases			40,187,213	6,743,956

47. COMMITMENTS FOR EXPENDITURE

47.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- **Approved and Contracted for:-**

Infrastructure

29,364,526	52,278,502
29,364,526	52,278,502

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

48. FINANCIAL INSTRUMENTS		2020 R	2019 R
48.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
	<u>Financial Assets</u>	<u>Classification</u>	
Trade receivables from exchange transactions			
Electricity	Amortised cost	198,557,130	147,164,975
Refuse	Amortised cost	73,533,935	70,228,772
Sewerage	Amortised cost	93,754,181	87,151,772
Water	Amortised cost	322,795,039	290,363,522
Miscellaneous	Amortised cost	422,131,540	355,332,404
Market	Amortised cost	637,419	549,686
Housing Debtors	Amortised cost	24,557,453	23,732,482
Trade receivables from non exchange transactions			
Assessment Rates	Amortised cost	498,078,135	418,146,124
Government Subsidy Claims	Amortised cost	67,231,018	55,777,206
Miscellaneous debtors	Amortised cost	1,756,691	1,816,693
Traffic Fines	Amortised cost	3,225,939	7,888,632
Bank, Cash and Cash Equivalents			
Bank	Amortised cost	48,693,543	45,300,502
Call Deposits	Amortised cost	22,350,000	1,750,664
Notice Deposits	Amortised cost	28,244,129	26,950,000
Cash Floats and Advances	Amortised cost	17,720	18,120
		<u>1,805,563,871</u>	<u>1,532,171,555</u>
SUMMARY OF FINANCIAL ASSETS			
Amortised cost			
Short-term Investment Deposits	Notice Deposits	28,244,129	26,950,000
Trade receivables from non-exchange transactions	Assessment Rates	498,078,135	418,146,124
Trade receivables from exchange transactions	Electricity	198,557,130	147,164,975
Trade receivables from exchange transactions	Refuse	73,533,935	70,228,772
Trade receivables from exchange transactions	Sewerage	93,754,181	87,151,772
Trade receivables from exchange transactions	Water	322,795,039	290,363,522
Trade receivables from exchange transactions	Miscellaneous	422,131,540	355,332,404
Trade receivables from exchange transactions	Market	637,419	549,686
Trade receivables from exchange transactions	Housing Debtors	24,557,453	23,732,482
Trade receivables from non-exchange transactions	Government Subsidy Claims	67,231,018	55,777,206
Trade receivables from non-exchange transactions	Miscellaneous debtors	1,756,691	1,816,693
Trade receivables from non-exchange transactions	Traffic Fines	3,225,939	7,888,632
		<u>1,706,258,480</u>	<u>1,458,152,269</u>
Bank Balances and Cash	Cash Floats and Advances	48,711,263	45,318,622
Short-term Investment Deposits	Call Deposits	22,350,000	1,750,664
Total Financial Assets		<u>1,805,563,871</u>	<u>1,532,171,555</u>
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
	<u>Financial Liabilities</u>	<u>Classification</u>	
Long-term Liabilities			
Annuity Loans	Amortised cost	182,287,536	191,762,501
Finance Lease Liabilities	Amortised cost	71,800	132,672
Consumer Deposits			
Electricity and Water	Amortised cost	36,710,173	34,916,719
Creditors			
Trade Creditors	Amortised cost	330,749,125	220,986,625
Other Creditors	Amortised cost	725,096	1,224,958
Payments received in Advance	Amortised cost	22,809,841	15,722,857
Staff Bonuses	Amortised cost	12,127,540	11,673,386
Accrued leave	Amortised cost	40,837,513	43,674,113
Unspent Conditional Grants and Receipts			
Conditional Grants from Government	Amortised cost	27,125,668	6,900,788
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	9,527,029	9,404,023
Finance Lease Liabilities	Amortised cost	631,795	3,742,543
		<u>663,603,115</u>	<u>540,141,184</u>
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	182,287,536	191,762,501
Long-term Liabilities	Finance Leases	71,800	132,672
Consumer Deposits	Electricity and Water	36,710,173	34,916,719
Payables from exchange transactions	Trade Creditors	330,749,125	220,986,625
Payables from exchange transactions	Other Creditors	725,096	1,224,958
Unspent Conditional Grants and Receipts	Conditional Grants from Government	27,125,668	6,900,788
Current Portion of Long-term Liabilities	Annuity Loans	9,527,029	9,404,023
Current Portion of Long-term Liabilities	Finance Leases	631,795	3,742,543
Payables from exchange transactions	Payments received in Advance	22,809,841	15,722,857
Payables from exchange transactions	Staff Bonuses	12,127,540	11,673,386
Payables from exchange transactions	Accrued leave	40,837,513	43,674,113
Total Financial Liabilities		<u>663,603,115</u>	<u>540,141,184</u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

48. FINANCIAL INSTRUMENTS (Continued)

48.2 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 18, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 6 and the Statement of Changes in Net Assets.

Gearing Ratio

The gearing ratio at the year-end was as follows:

	2020 R	2019 R
Net Debt	663,603,115	540,141,184
Equity	<u>2,911,151,369</u>	<u>2,677,181,257</u>
Net debt to equity ratio	22.80%	20.18%

Debt is defined as Long term Liabilities, as detailed in the notes.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Position.

48.3 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes. Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these financial statements.

48.4 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset and Financial Liability are disclosed in the Accounting Policies to the Annual Financial Statements.

48.5 Liquidity Risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.6.1 - 2 below). No formal policy exists to hedge volatilities in the interest rate market. There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

48.6.1 Foreign Currency Risk Management

The municipality has very limited exposure to the financial risks of foreign currency. The foreign exchange loss for the financial period under review is not material. Refer to Financial Statement of Performance.

48.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, trade receivables, cash and cash equivalents, and loan payables.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

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48. FINANCIAL INSTRUMENTS (Continued)

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

SENSITIVITY ANALYSIS - INTEREST RATE

Effect of a change in interest rate on interest bearing financial assets and liabilities

<u>Financial Assets</u>	<u>Classification</u>		
<u>External investments:</u>			
Call Deposits	Amortised cost	22,350,000	1,750,664
Notice Deposits	Amortised cost	28,244,129	26,950,000
		50,594,129	28,700,664
<u>Interest received</u>			
Interest Earned - External Investments		5,502,609	10,001,619
Interest rate		11%	35%

Effect of a change in interest rate on interest earned from external investments:

Effect of change in interest rate	%	10%	34%
Effect of change in interest rate	Rand value	4,996,668	9,714,612
Effect of change in interest rate	%	12%	36%
Effect of change in interest rate	Rand value	6,008,550	10,288,625

Outstanding debtors:

Trade receivables from exchange transactions	Amortised cost	1,135,966,697	974,523,614
Trade receivables from non-exchange transactions	Amortised cost	570,291,783	483,628,655
		1,706,258,480	1,458,152,269

Interest received

Interest Earned - Outstanding Debtors		145,492,162	141,429,154
Interest rate		9%	10%

Effect of a change in interest rate on interest earned from outstanding debtors

Effect of change in interest rate	%	8%	9%
Effect of change in interest rate	Rand value	128,429,578	126,847,631
Effect of change in interest rate	%	10%	11%
Effect of change in interest rate	Rand value	162,554,747	156,010,677

Financial Liabilities

<u>Long-term Liabilities</u>	<u>Classification</u>		
Annuity Loans	Amortised cost	182,287,536	191,762,501
Annuity Loans - current portion	Amortised cost	9,527,029	9,404,023
Finance Lease Liabilities	Amortised cost	703,595	3,875,215
Finance Lease Liabilities - current portion	Amortised cost	631,795	3,742,543
		191,814,565	201,166,524

Interest paid

Long-term Liabilities		31,097,135	26,250,436
Interest rate %		16%	13%

Effect of a change in interest rate on interest paid on long-term liabilities

Effect of change in interest rate	%	15%	12%
Effect of change in interest rate	Rand value	29,178,990	24,238,770
Effect of change in interest rate	%	17%	14%
Effect of change in interest rate	Rand value	33,015,281	28,262,101

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

48. FINANCIAL INSTRUMENTS (Continued)

48.7 Effective Interest Rates and Repricing Analysis

In accordance with GRAP 104.116 the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2020

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
FIXED RATE INSTRUMENTS							
Bank Facilities		191,814,565	-	-	-	1,576,706	190,237,860
Loan No 102855/1 : DBSA	12.61%	12,832,375					12,832,375
Loan No 102855/3 : DBSA	6.75%	1,576,706				1,576,706	
Loan No 103958/2 : DBSA	12.445%	177,405,484					177,405,484
Total Fixed Rate Instruments		191,814,565	-	-	-	1,576,706	190,237,860
VARIABLE RATE INSTRUMENTS							
Short-term Investment Deposits		50,594,129	22,350,000	28,244,129			
Bank Balances and Cash		17,720	17,720				
Total Variable Rate Instruments		50,611,849	22,367,720	28,244,129	-	-	-

30 June 2019

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
FIXED RATE INSTRUMENTS							
Bank Facilities		201,166,524	935,350	-	-	1,963,580	198,267,593
Loan No 101452 : DBSA	10.91%	935,350	935,350				
Loan No 102855/1 : DBSA	12.61%	13,636,836					13,636,836
Loan No 102855/3 : DBSA	6.75%	1,963,580				1,963,580	
Loan No 103958/2 : DBSA	12.445%	184,630,757					184,630,757
Total Fixed Rate Instruments		201,166,524	935,350	-	-	1,963,580	198,267,593
VARIABLE RATE INSTRUMENTS							
Short-term Investment Deposits		28,700,664	1,750,664	26,950,000			
Bank Balances and Cash		18,120	18,120				
Total Variable Rate Instruments		28,718,784	1,768,784	26,950,000	-	-	-

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

48.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

48.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows. Included in the note is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

30 June 2020

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
Non-interest Bearing							
- Consumer Deposits		36,710,173					36,710,173
- Creditors		354,284,062	354,284,062				
- Unspent Conditional Grants		27,125,668		27,125,668			
Fixed Interest Rate Instruments							
Loan No 102855/1 : DBSA	12.61%	22,544,024	1,252,446	1,252,446	2,504,892	7,514,675	10,019,566
Loan No 102855/3 : DBSA	6.75%	1,540,275	256,712	256,712	513,425	513,425	
Loan No 103958/2 : DBSA	12.45%	330,321,354	15,014,607	15,014,607	30,029,214	90,087,642	180,175,284
Finance Lease Liabilities		716,688		644,888	71,800		
Total		773,242,243	370,807,827	44,294,321	33,119,330	98,115,742	226,905,023

30 June 2019

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
Non-interest Bearing							
- Consumer Deposits		34,916,719					34,916,719
- Creditors		237,934,440	237,934,440				
- Unspent Conditional Grants		6,900,788		6,900,788			
Fixed Interest Rate Instruments							
Loan No 101452 : DBSA	10.91%	987,050	987,050				
Loan No 102855/1 : DBSA	12.61%	25,048,915	1,252,446	1,252,446	2,504,892	7,514,675	12,524,458
Loan No 102855/3 : DBSA	6.75%	2,567,124	256,712	256,712	513,425	1,540,275	
Loan No 103958/2 : DBSA	12.45%	360,350,568	15,014,607	15,014,607	30,029,214	90,087,642	210,204,498
Finance Lease Liabilities		4,366,341		4,199,043	167,298		
Total		673,071,945	255,445,255	27,623,596	33,214,828	99,142,591	257,645,674

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

48. FINANCIAL INSTRUMENTS (Continued)

48.10 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. On going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counter parties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists.

Counterparty and Location	30 June 2020 Gross Amount R	30 June 2019 Gross Amount R
Department of Public Works	741,775,597	693,330,875
Kimberley Cold Storage PTY	52,652,165	42,516,380
GW Rugby Union	12,407,707	11,146,762
Northern Cape Urban TVET College	35,388,021	
Northern Cape Department of Health		10,270,294
De Beers Consolidated Mines	17,060,159	46,208,515

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:	2020 R	2019 R
Fixed Deposit Investments	50,594,129	28,700,664
Trade Receivables from Exchange Transactions	1,135,966,697	974,523,614
Trade Receivables from Non-Exchange Transactions	501,304,074	426,034,756
Bank, Cash and Cash Equivalents	17,720	18,120
Maximum Credit and Interest Risk Exposure	1,687,882,620	1,429,277,154

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

48. FINANCIAL INSTRUMENTS (Continued)

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

The maximum credit and interest risk exposure in respect of the relevant customer classification is as follows:	2020 R	2019 R
Households	875,047,189	780,152,113
Industrial/commercial	195,058,903	155,613,976
National and provincial government	636,152,387	522,386,180
Maximum Consumer Risk Exposure	1,706,258,480	1,458,152,269

49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Employees and Councillors belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

All Retirement Funds are defined contribution plans. All the funds are multi-employer plans.

The total expense recognised in the Statement of Financial Performance represents contributions paid to these plans by the municipality at rates specified in the rules of the plans. These following contributions have been expensed:

59,739,336 56,517,360

None of the below mentioned Funds are State Plans.

Municipal Councillors Pension Fund:

The actuarial valuator of the Pension Fund for councillors stated that the Fund has a funding level of 99.5% as at 30 June 2012 and is therefore technically not financially sound. They regard the deficit of R6.4m as relatively insignificant in the context of the Fund and there a possible reverse of SARS penalties of R10.3m that will result in the Fund being fully funded.

LA Retirement Fund/Cape Joint Pension Fund:

The statutory valuation performed as at 30 June 2019 revealed a funding level of 100.7% for the Pensioner Account and the Defined Contribution Section was 100% funded.

Consolidated Retirement Fund:

The valuator stated that Consolidated Retirement Fund is in a sound financial condition as at 30 June 2019.

The Cape Retirement Fund operates as a defined contribution scheme. The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund has a funding level of 100% for the Preservation Pensions account, 124.9% for the Pension Account and 100.3% for the Member Share Account and Processing Reserve Account. The contribution rate paid by the members (9%) and Municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future.

SALA Pension Fund:

At the valuation date of 1 July 2018 the SALA pension fund was 96% (1 July 2015: 100%) funded. The valuator indicated that in terms of the regulations issued by the FSCA, the Fund is not financially sound.

Municipal Employees Pension Fund:

At the valuation date of 28 February 2011 the Municipal Employees Pension Fund was 107.9% (29 February 2009: 102.2%) funded. The valuator stated that the fund was in a sound position as at 29 February 2011, having sufficient assets to cover its obligations.

National Fund for Municipal Workers:

At the valuation date of 30 June 2015 the National Fund for Municipal Workers the Valuator stated that the assets of the fund available for benefits are sufficient to cover 100.42% of the members' liabilities and the fund was hence financially sound.

Municipal Workers Union Retirement Fund:

The Fund was formerly the South African Municipal Workers Union National Provident Fund. At the valuation date of 30 June 2017 the Fund was 100% (30 June 2014: 111.7%) funded. The valuator stated that the fund is in a sound financial position.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

50. RELATED PARTY TRANSACTIONS

50.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses.

50.2 Services rendered to Related Parties

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

50.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

50.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 29 and 30 respectively, to the Annual Financial Statements.

50.5 Related Parties relationships

The municipality's key officials declared the following relationships with the listed companies. It should be noted that no transactions were entered into between these related parties and the municipality.

Name Supplier	Related Person	Financial Disclosure Records
Akharwaray, G H	Municipal Manager	Shares - Kumba (Ordinary), Mittal (Ordinary), Ex Xaro (Ordinary); Directorships & Partnerships - GHA Properties, Gulshin Properties.
Mahloko, Zuziwe Lydia	Executive Director: Finance	Trust- Family trust (Zuziwe Family Trust); Directorship/Partnership- Griqualand Wes Rugby Union
Dhluwayo, B	Acting Municipal Manager	Tswelopele Trust (Farming)
Sebolecwe, Kooitse Ruth	ED: Corporate Services	Directorship & Partnerships - Clisa 22CC (Commercial)
Tyabashe-Kesiamang, Nomonde	Executive Director: Strategy, Economic Development & Planning Services	Shares - JM & N Trading (CC member), Nqobile Planners & Development Specialists T/a N12 (CC member), Woesa (Public); (Afri-Devo PTY)- Company belongs to Brother-In-Law.
Cader, Zahid	Acting Executive Director: Finance	Ferozah Consulting; Department of Sport, Arts and Culture, CFO Public Entities.
Phuthi, Tebogo Ezekiel	Acting ED: Corporate Services	Royal Phuthi Investments; Lewapi Mining.
Baise, Eugene Mervyn Colin	Manager: Assets & Risk	Directorships & Partnerships: Elama Warehousing; Theta Mining.
	Acting Executive Director: Finance	
Samolapo, Lebelo Kenneth	Accountant – Water & Lights	Shares: Batsatsing Mining. Directorships & Partnerships: Batsatsing Mining.
	Acting ED: Revenue	
Molepo, Noxolo P	Chief Internal Auditor	Directorships & Partnerships – Rebaummogo Bed & Breakfast
Badenhorst, Eleanor, Linzi	Councillor	Husband is Director of Afrikhaya Housing Development Agency.
Fourie, Ockert Cornelius	Councillor	Shares - Roodeheuwel Sand (Bpk) Minerals.
Gomba Jozi, Themba	Councillor	100% Shares Phiwe Trading, Shares in Peja Trading;
Joseph, George, Harold	Councillor	Directorships 1. GI Manufacturers – Manufacturing 2. The Zone (Partner) Marketing/Graphics – New business
Kika, Suresh, Nager	Councillor	Directorship & Partnership- Barkley West Sherrifs
Lewis, Clifford Benedict	Councillor	Directorships & Partnerships: Taxi
Moshweu, Michael Mpho	Councillor	Directorship & Partnership: Moshweu General trading CC
		Cleaning services *AdHoc -Kabothabo CC *Ad Hoc - Itereleng Corp- Nil Remunerated work- Mental health DOH- Board Member
Mocwagole, Lesedi, Lawrence	Councillor	Shares and Directorships- 50% SNM Mining, 100% LLM, 50% Mentorza Holding & Invest
Van Den Berg Hendrik Jacobus	Councillor	Directorships-Kimprint (PTY)LTD General Printers
Pearce Carol-Ann	Councillor	Directorship & Partnership- Women Liberation Trading (PTY)LTD.
Steyn ,Sharon Merle	Councillor	CEO- NOCCI

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

51. CONTINGENT LIABILITIES

51.1 Guarantees:

The municipality pledged the following amounts as guarantee for employees' housing bonds:

51.2 Court Proceedings:

	2020 R	2019 R
	-	-
51.2.1 High Court matters	13,292,666	50,522,056
Various claims and litigation is in process.		
51.2.2 Litigation and claims in process	17,007,843	19,586,685
Various claims and litigation is in process.		
51.2.3 Labour matters (SALGBC)	-	630,000
Various cases involving Council.		
51.2.4 Magistrate court matters	60,000	662,837
Various cases involving Council.		
51.2.5 Supreme Court of appeal	5,746,364	5,746,364
Various cases involving Council.		
	36,106,872	77,147,941

All the above cases are being defended. The timing of any cash outflow is uncertain.

51.3 Other liabilities:

51.3.1 Various cases: The municipality has implemented task grading system as a system of remuneration for all employees. However, as at 30 June 2020, the implementation of task outcomes on employees revaluated were not finalised as yet. Management is certain that this will result in a cash outflow which is unknown at the time of submitting the financials.

51.3.2 Other cases: Various claims between employees and Council is in process.

52. CONTINGENT ASSETS

The municipality were engaged various cases, transactions or events during the year under review involving Contingent Assets. In this case an application was withdrew without tendering costs, which the attorney is currently pursuing.

- 21,776

53. IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance during the year under review:

- (i) A secondment of an Acting Municipal Manager and an Acting Chief Financial Officer by Provincial Departments for part of the Financial year.

54. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance against that budget, is set out in Note 60. Budget and actual figures are presented on a comparable basis (accrual basis of accounting).

55. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the 2019/20 financial year.

56. EVENTS AFTER THE REPORTING DATE

Management have not identified any material matter or circumstance (adjusting or non-adjusting) since the end of the financial year, that has significantly affected, or may significantly affect, the operations, the results of those operations, or the state of affairs of the municipality in future financial years. The outbreak of the COVID-19 virus, and the declaration of a National State of Disaster, is indicative of an adjusting event. The impact of COVID-19 is generally considered to be a non-adjusting subsequent event for the reporting period. Consequently, there would be no subsequent impact on the recognition and measurement of assets and liabilities in an entity's financial statements that has not already been accounted. The effect of the virus on economic conditions and the overall inflation rates have been taken into account during estimations and judgements which existed at year end. The continued impact of the virus will affect the estimation of the future economic benefits that can be derived from assets in the declining economy of the country such conditions will be monitored closely and taken into account during the assessment made by the municipality with regards to the ability to continue as a going concern in future.

57. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 39).

58. DISCONTINUED OPERATIONS

No operations have been discontinued.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

	2020 R	2019 R
59. STANDARDS AND INTERPRETATIONS APPROVED NOT YET EFFECTIVE		
At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been approved, but are not yet effective:		
GRAP 18 Segment Reporting.		
GRAP 110 on Living and Non -living Resources		
iGRAP 17 on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset.		
iGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land		
iGRAP 19 on Liabilities to Pay Levies.		
GRAP 18 and 110 and iGRAP 17 and 18 will effect from financial years beginning on or after 1 April 2020. Application of the other GRAP standards and guidelines above will be effective from a date to be announced by the Minister of Finance. This dates is not currently available.		
Management has considered all the GRAP standards issued but not yet effective and in preliminary indications management anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.		
60. PRINCIPAL - AGENT ARRANGEMENTS		
60.1 Principal in Principal-Agent Arrangement (Material) (Ontech)		
The Sol Plaatje Local Municipality is the Principal in the Principal-Agent arrangement with ONTEC SYSTEMS PTY LTD.		
ONTEC SYSTEMS PTY LTD undertakes prepaid electricity sales through the use of third party vendors on behalf of Sol Plaatje Local Municipality. No significant judgements were applied in determining if the municipality was the principal. No changes have been made to the terms and conditions to the arrangement during the reporting period. No significant risks and benefits associated with the arrangement have been identified.		
Compensation paid for agency activities		
Commission and administrative fees	<u>22,506,908</u>	<u>19,018,659</u>
Sol Plaatje Local municipality paid 7% commission and other administrative costs to ONTEC SYSTEMS PTY LTD for acting as an agent on its behalf during the financial year.		
Resources under custodianship of agent		
There are no resources of Sol Plaatje Local Municipality under the custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not of the municipality. There are no direct resource or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on service delivery continuity and revenue generation negatively, due to the reduction of service points.		
60.2 Agent in arrangement		
The Sol Plaatje Local Municipality is the Agent in the Principal-Agent arrangement with various personal insurance companies, unions and legal firms. The municipality deduct specified amounts from the salaries of municipal employees on behalf of the principals in exchange for commission of 2.5%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. There has been no significant changes in the terms and conditions of the arrangements during the reporting period. There are no significant risks and benefits associated with the principal agent arrangements.		
The Sol Plaatje Local Municipality is the Agent in the Principal-Agent arrangement with Department of Transport, Safety and Liaison. The municipality is responsible for the issuing of vehicle and drivers licences on behalf of Department of Transport, Safety and Liaison in exchange for commission of 12%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. The responsibility of issuing vehicle licences was removed from the municipality effective 01 September 2018 significantly reducing the commission received during the reporting period.		
Compensation received for agency activities		
Commission (Payroll deductions)	995,668	825,540
Commission (Transport, Safety and Liaison)	853,065	2,089,764
Total Compensation received	<u>1,848,733</u>	<u>2,915,304</u>
Sol Plaatje Local Municipality was paid 2.5% commission by various personal insurance companies, unions and legal firms for acting as an agent on its behalf during the financial year.		
Sol Plaatje Local Municipality was paid 12% commission by Department of Transport, Safety and Liaison for acting as an agent on its behalf during the financial year.		
Resources under custodianship of agent		
There are no resources of the principal under the custodianship of Sol Plaatje Local Municipality, nor have they been recognised as such.		

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

61 BUDGET VS ACTUAL COMPARATIVE INFORMATION

61.1 Revenue and Expenditure

	2020 Actual	2020 Original Budget	2020 Adjustment	2020 Final Budget	2020 Variance Original vs Final Budget %	2020 Explanation of variances greater than 10% Original versus Final Budget	2020 Variance Actual vs Final Budget R	2020 Variance Actual vs Final Budget %	2020 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R	R					
REVENUE									
Property Rates	555,073,410	578,654,000	(19,999,832)	558,654,168	-3%		(3,580,758)	-1%	
Service Charges	1,049,129,002	1,172,984,000	(85,185,601)	1,087,798,399	-7%	Decrease in consumption due to covid 19 and the economic conditions.	(38,669,397)	-4%	Decrease in consumption due to covid 19 and the economic conditions.
Rental of Facilities and Equipment	11,426,831	11,810,000	-	11,810,000	0%		(383,169)	-3%	
Interest Earned - External Investments	5,502,609	15,000,000	(7,500,000)	7,500,000	-50%	Decrease in investments due to cash flow constraints.	(1,997,391)	-27%	Decrease in investments due to cash flow constraints.
Interest Earned - Outstanding Debtors	145,492,162	137,940,000	10,000,000	147,940,000	7%		(2,447,838)	-2%	Decrease in interest rates and increase in debtors arrangements.
Fines	31,614,429	26,805,000	8,500,000	35,305,000	32%	Increase in fines issued.	(3,690,571)	-10%	Decrease due to closure of section during lock down.
Licenses and Permits	5,863,167	4,764,000	-	4,764,000	0%		1,099,167	23%	Increase in licenses and permits issued.
Government Grants and Subsidies	357,825,929	387,794,000	17,629,147	405,423,147	5%	Due to capital projects being increased.	(47,597,218)	-12%	Due to capital projects not completed. Unspent grants due to covid 19.
Other Income	23,808,886	25,146,000	(7,319,500)	17,826,500	-29%	Decrease in income expected due to covid 19.	5,982,386	34%	Income did not decrease as much as expected due to covid 19.
Gains on disposal of property, plant and equipment	374,883	-	-	-	0%		374,883	0%	Not budgeted.
Total Revenue	2,186,111,308	2,360,897,000	(83,875,786)	2,277,021,214	-4%	Adjusting income downwards.	(90,909,906)	-4%	Due to decrease in service charge and grants.
EXPENDITURE									
Employee Related Costs	653,284,271	770,966,000	(43,409,357)	727,556,643	-6%	Adjusting expenditure downwards. Due to cash flow and cost containment.	(74,272,372)	-10%	Due to saving on vacancies, overtime paid and evaluators report.
Remuneration of Councillors	30,367,388	31,752,783	-	31,752,783	0%		(1,385,395)	-4%	
Impairment Losses	247,974,705	226,000,000	21,975,000	247,975,000	10%	Increase in impairment of receivables.	(295)	0%	
Depreciation	69,001,202	71,600,000	-	71,600,000	0%		(2,598,798)	-4%	
Finance Costs	31,097,135	24,661,000	6,633,741	31,294,741	27%	Increase in interest on overdue accounts.	(197,606)	-1%	
Bulk Purchases	625,195,180	617,500,000	14,000,000	631,500,000	2%		(6,304,820)	-1%	
Contracted services	38,346,415	51,605,000	(7,600,500)	44,004,500	-15%	Adjusting expenditure downwards. Due to cash flow and cost containment.	(5,658,085)	-13%	Due to saving on expenditure. Cash flow and Cost containment.
Grants and Subsidies Paid	2,733,463	7,670,000	(3,500,000)	4,170,000	-46%	Adjusting expenditure downwards. Due to cash flow and cost containment.	(1,436,537)	-34%	Due to saving on expenditure. Cash flow and Cost containment.
General Expenses - Other	253,207,030	392,456,000	(87,626,519)	304,829,481	-22%	Adjusting expenditure downwards. Due to cash flow and cost containment.	(51,622,451)	-17%	Due to saving on expenditure. Cash flow and Cost containment.
Losses on Inventory	191,747	-	-	-	0%		191,747	0%	Not budgeted.
Foreign Exchange Loss	335,239	-	-	-	0%		335,239	0%	Due to devaluating of the Rand.
Impairment of property, plant and equipment	407,423	-	-	-	0%		407,423	0%	Not budgeted.
Total Expenditure	1,952,141,197	2,194,210,783	(99,527,635)	2,094,683,148	-5%	Adjusting expenditure upwards.	(142,541,951)	-7%	Due to the savings in general.
NET SURPLUS FOR THE YEAR	233,970,111	166,686,217	15,651,849	182,338,066	9%	Adjusting income downwards.	51,632,045	28%	Due to the savings in expenditure .

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

61 BUDGET VS ACTUAL COMPARITIVE INFORMATION (Continued)

61.2 ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Directorate	2020 Actual Additions	2020 Work in Progress Additions	2020 Total Additions	2020 Original Budget	2020 Adjustment	2020 Final Budget	2020 Variance Original vs Final Budget %	2020 Explanation of variances greater than 10% Original versus Final Budget	2020 Variance Actual vs Final Budget R	2020 Variance Actual vs Final Budget %	2020 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R	R	R	R					
Executive and Council	-	-	-	-	-	-			-	0%	
Municipal General	7,260,749	84,271,632	91,532,381	82,105,147	38,651,000	120,756,147	47%	Budget increased.	(29,223,766)	-24%	Non qualifying assets expenditure and VAT income on grants transferred to operational budget. Projects not being completed.
Municipal Manager	-	-	-	-	-	-			-	0%	
Corporate Services	-	-	-	-	-	-			-	0%	
Community Services	-	-	-	-	-	-			-	0%	
Financial Services	-	-	-	-	-	-			-	0%	
Strategic and Economic Development	-	-	-	-	-	-			-	0%	
Infrastructure and Services	-	42,722,791	42,722,791	102,180,000	(33,300,000)	68,880,000	-33%	Budget reduced.	(26,157,209)	-38%	Non qualifying assets expenditure and VAT income on grants transferred to operational budget. Projects not being completed.
TOTAL	7,260,749	126,994,423	134,255,173	184,285,147	5,351,000	189,636,147	3%	Budget increased.	(55,380,974)	-29%	Non qualifying assets expenditure and VAT income on grants transferred to operational budget. Projects not being completed.

61 BUDGET VS ACTUAL COMPARITIVE INFORMATION (Continued)

61.3 Cash Flow

	2020 Actual	2020 Original Budget	2020 Adjustment	2020 Final Budget	2020 Variance Original vs Final Budget %	2020 Explanation of variances greater than 10% Original versus Final Budget	2020 Variance Actual vs Final Budget R	2020 Variance Actual vs Final Budget %	2020 Explanation of variances greater than 10% Actual versus Final Budget
	R	R	R	R			R		
CASH FLOWS FROM OPERATING ACTIVITIES									
Grants received	357,825,929	387,794,000	17,629,000	405,423,000	4%	Income adjusted due to grant allocation increasing.	(47,597,071)	-12%	Due to grant spending not realising.
Sale of goods and services	1,222,603,580	1,716,813,000	(255,021,000)	1,461,792,000	-17%	Reducing expectation of income billed due to economic conditions.	(239,188,420)	-16%	Decrease in Income due to covid 19 and the economic conditions.
Employee Costs	(653,284,271)	(770,966,000)	11,800,000	(759,166,000)	-2%		105,881,729	-14%	Due to freezing of filling of positions, reduction in overtime paid and valutors report.
Supplier payments	(873,338,194)	(1,080,861,000)	(128,247,000)	(952,614,000)	13%	Reducing expenditure due to cost containments and cash flow constraints.	79,275,806	-8%	Due to saving, cost containment and cash flow constraints.
Cash generated from / (utilised in) Operations	53,807,043	252,780,000	(120,945,000)	155,435,000					
Interest received	150,994,771	52,244,000	103,196,000	155,440,000	66%	Budget allocation ammended to projected actuals.	(4,445,229)	-3%	Reduction in interest rate.
Interest paid	(31,097,135)	(24,661,000)	(500,000)	(25,161,000)	2%		(5,936,135)	24%	Due to interest paid on overdue accounts.
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	173,704,680	280,363,000	(18,249,000)	285,714,000					
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchase of Property, Plant and Equipment	(134,255,173)	(184,285,000)	(5,351,000)	(189,636,000)	3%	Increased due to increase in projects and grant allocations.	55,380,827	-29%	Projects not completed before year end.
Purchase of Investment Property	(813,318)	-	-	-			(813,318)	0%	
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES	(135,894,996)	(184,285,000)	(5,351,000)	(189,636,000)					
CASH FLOWS FROM FINANCING ACTIVITIES									
New Finance leases/Finance lease payments	(3,171,619)	-	-	-	0%		(3,171,619)	0%	New contracts agreements entered into.
Loans repaid	(9,351,959)	(9,251,000)	-	(9,251,000)	0%		(100,959)	1%	
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	(12,523,578)	(9,251,000)	-	(9,251,000)					
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	25,286,105	86,827,000	-	86,827,000					
Cash and Cash Equivalents at the beginning of the year	74,019,286	115,263,000	-	115,263,000					
Cash and Cash Equivalents at the end of the year	99,305,392	202,090,000	-	202,090,000					

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

61 BUDGET VS ACTUAL COMPARITIVE INFORMATION (Continued)

61.4 Statement of Financial Position

	2020 Actual	2020 Original Budget	2020 Adjustment	2020 Final Budget	2020 Variance Original vs Final Budget %	2020 Explanation of variances greater than 10% Original versus Final Budget	2020 Variance Actual vs Final Budget R	2020 Variance Actual vs Final Budget %	2020 Explanation of variances greater than 10% Actual versus Final Budget
	R	R	R	R					
ASSETS									
Current Assets	1,800,396,719	1,619,236,236	10,300,000	1,629,536,236					
Inventory	35,583,221	36,347,236	-	36,347,236	0%		(764,015)	-2%	
Trade Receivables from Exchange Transactions	1,068,154,021	619,983,000	10,300,000	630,283,000	2%		437,871,021	69%	Increase in receivables due to economic conditions.
Statutory Receivables from Non-Exchange Transactions	489,785,454	760,813,000	-	760,813,000	0%		(271,027,546)	-36%	Budget allocation split not done according to GRAP 108.
Trade Receivables from Non-Exchange Transactions	68,987,709	-	-	-	0%		68,987,709	0%	Budget allocation split not done according to GRAP 108.
Cash and Cash Equivalents	99,305,392	202,093,000	-	202,093,000	0%		(102,787,608)	-51%	Decrease in investments due to economic conditions.
Statutory Receivable from Exchange Transactions	38,580,922	-	-	-	0%		38,580,922	0%	Budget allocation split not done according to GRAP 108.
Non-Current Assets	2,111,861,286	2,075,799,637	5,350,821	2,081,150,458					
Property, Plant and Equipment	1,808,607,183	1,855,767,000	6,350,821	1,862,117,821	0%		(53,510,638)	-3%	
Heritage Assets	12,070,884	7,863,705	-	7,863,705	0%		4,207,179	54%	Budget allocation to be increased.
Intangible Assets	2,508,303	11,227,694	-	11,227,694	0%		(8,719,391)	-78%	Assets reaching the end of their contract period and useful lives.
Investment Property	209,343,620	193,202,009	(1,000,000)	192,202,009	-1%		17,141,611	9%	
Trade Receivables from Exchange Transactions	67,812,676	7,739,229	-	7,739,229	0%		60,073,447	0%	Increase in debtors arrangements entered into during the current year.
Statutory Receivables from Non-Exchange Transactions	11,518,620	-	-	-	0%		11,518,620	0%	Budget allocation split not done according to GRAP 108.
Total Assets	3,912,258,004	3,695,035,873	15,650,821	3,710,686,694					
LIABILITIES									
Current Liabilities	573,017,890	276,207,824	-	276,207,824					
Consumer Deposits	36,710,173	33,274,330	-	33,274,330	0%		3,435,843	10%	Increased deposits paid by consumers.
Employee Benefits	66,237,249	12,416,000	-	12,416,000	0%		53,821,249	433%	Included under budget in non-current assets.
Payables from Exchange Transactions	354,284,062	203,328,000	-	203,328,000	0%		150,956,062	74%	Increase in creditors on year end due to cash flow constraints.
Unspent Conditional Grants and Receipts	27,125,668	-	-	-	0%		27,125,668	0%	Grants not spend at year end.
VAT Payable from Exchange Transactions	78,501,913	17,790,000	-	17,790,000	0%		60,711,913	341%	Due to impairment of VAT on receivables.
Current Portion of Long-term Liabilities	10,158,824	9,399,494	-	9,399,494	0%		759,330	8%	
Non-Current Liabilities	428,088,746	448,139,541	-	448,139,541					
Long-term Liabilities	182,359,336	163,017,541	-	163,017,541	0%		19,341,795	12%	Budget allocation to be adjusted.
Employee Benefit Liabilities	245,431,390	285,122,000	-	285,122,000	0%		(39,690,610)	-14%	See budget under current liabilities.
Non-current Provisions	298,020	-	-	-	0%		298,020	0%	
Total Liabilities	1,001,106,636	724,347,365	-	724,347,365					
Total Assets and Liabilities	2,911,151,369	2,970,688,508	15,650,821	2,986,339,329					
NET ASSETS	2,911,151,369	2,970,688,508	15,650,821	2,986,339,329					
Accumulated Surplus	2,911,151,369	2,970,688,508	15,650,821	2,986,339,329	1%		(75,187,960)	-3%	Decrease in general spending.
Total Net Assets	2,911,151,369	2,970,688,508	15,650,821	2,986,339,329					

APPENDIX A (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2020

EXTERNAL LOANS	Loan Number	Redeemable Date	Opening Balance	Received during the period	Redeemed written off during the period	Closing Balance	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			R	R	R	R	R	R
LONG TERM LIABILITIES								
ANNUITY LOANS								
DBSA Loan @ 10.91%	101452	31-12-2019	935,350		935,350	-	204,477,933	
DBSA Loan @ 12.61%	102855/1	31-12-2028	13,636,836		804,461	12,832,375		
DBSA Loan @ 6.75%	102855/3	31-12-2023	1,963,580		386,874	1,576,706		
DBSA Loan @ 12.445%	103958/2	30-06-2031	184,630,757		7,225,273	177,405,484		
Sub total DBSA			201,166,524	-	9,351,959	191,814,565		
Total Annuity loans			201,166,524	-	9,351,959	191,814,565	204,477,933	-
TOTAL EXTERNAL LOANS			201,166,524	-	9,351,959	191,814,565	204,477,933	-

APPENDIX B (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2020

	Cost/Revaluation							Accumulated Depreciation and Impairment				Carrying Value	
	Opening Balance	Additions	Work in Progress Additions	Disposals/ Impairment	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals/ Impairment		Closing Balance
					Opening Balance	Commissioned	Closing Balance						
Infrastructure													
Electricity and Street Lights	395,266,958		12,108,388		55,037,230	1,170,417	65,975,201	407,375,347	126,170,005	7,613,679		133,783,684	273,591,662
Roads and Pavements	551,026,615		79,737,947		161,905,522	13,661,150	227,982,319	630,764,561	142,624,732	12,591,069		155,215,801	475,548,760
Sewerage	489,581,623		23,556,425		48,117,575		71,674,000	513,138,048	93,045,988	12,218,990		105,264,978	407,873,070
Stormwater	94,360,060				16,416,033	11,935,910	4,480,123	94,360,060	39,568,530	1,346,224		40,914,755	53,445,306
Landfill Site	474,788							474,788	5,178	5,223		10,401	464,387
Landfill Site Improvements	22,936,818							22,936,818	1,508,308.74	765,669		2,273,977	20,662,841
Water	419,164,912		7,057,978		109,786,573	7,959,828	108,884,723	426,222,889	134,103,863	7,136,021		141,239,883	284,983,006
	1,972,811,774	-	122,460,738	-	391,262,934	34,727,305	478,996,367	2,095,272,512	537,026,604	41,676,875	-	578,703,479	1,516,569,033
Community Assets													
Owned Buildings	238,725,203		4,533,685	(597,621)	14,141,511	12,733,308	5,941,888	242,661,266	74,204,669	8,144,787	(190,199)	82,159,257	160,502,009
Land	95,484,672						-	95,484,672				-	95,484,672
	334,209,875	-	4,533,685	(597,621)	14,141,511	12,733,308	5,941,888	338,145,938	74,204,669	8,144,787	(190,199)	82,159,257	255,986,681
Heritage Assets													
Heritage Assets	12,070,884				6,053,530		6,053,530	12,070,884				-	12,070,884
	12,070,884	-	-	-	6,053,530	-	6,053,530	12,070,884	-	-	-	-	12,070,884
Other Assets													
Computer Equipment	18,182,139	1,100,964		(391,465)				18,891,638	12,426,412	2,001,468	(358,946)	14,068,934	4,822,703
Furniture and Equipment	22,120,197	114,577		(72,039)				22,162,736	18,522,839	1,043,020	(67,307)	19,498,552	2,664,184
Other Machinery and Equipment	13,970,098	722,441		(31,536)				14,661,003	10,841,737	935,836	(27,989)	11,749,583	2,911,420
Motor Vehicles	100,421,982	5,322,768						105,744,750	69,315,030	10,776,557		80,091,588	25,653,162
	154,694,417	7,260,749	-	(495,040)	-	-	-	161,460,126.12	111,106,018	14,756,882	(454,242)	125,408,657	36,051,469
Total	2,473,786,949	7,260,749	126,994,423	(1,092,661)	411,457,974	47,460,613	490,991,785	2,606,949,461	722,337,291	64,578,544	(644,441)	786,271,394	1,820,678,067

APPENDIX C (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020

Directorate	Cost							Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Work in Progress Additions	Disposals	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
					Opening Balance	Commissioned	Closing Balance						
Executive and Council	3,639,615							3,639,615	1,071,413	286,581		1,357,994	2,281,621
Municipal General	87,832,063	7,260,749	84,271,632		90,413,265	12,733,308	161,951,589	179,364,444	1,845,609	6,915,852		8,761,461	170,602,983
Municipal Manager	2,126,748							2,126,748	815,844	167,459		983,303	1,143,445
Corporate Services	37,346,562							37,346,562	9,959,710	2,940,649		12,900,359	24,446,203
Community Services	344,949,327			(597,621)				344,351,706	80,870,080	8,144,787	(190,199)	88,824,669	255,527,037
Financial Services	18,264,445							18,264,445	7,687,971	1,438,133		9,126,104	9,138,341
Strategic and Economic Development	38,204,555							38,204,555	12,502,596	3,008,207		15,510,803	22,693,752
Infrastructure and Services	1,941,423,635		42,722,791	(495,040)	321,044,709	34,727,305	329,040,195	1,983,651,386	607,584,068	41,676,875	(454,242)	648,806,701	1,334,844,686
TOTAL	2,473,786,949	7,260,749	126,994,423	(1,092,661)	411,457,974	47,460,613	490,991,785	2,606,949,461	722,337,291	64,578,544	(644,441)	786,271,394	1,820,678,067

APPENDIX D (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2020

	2020 Original Budget	2020 Adjustment	2020 Final Budget	2020 Variance Original vs Final Budget %	2020 Explanation of variances greater than 10% Original versus Final Budget	2020 Actual Income & Expenditure R	2020 Variance Actual vs Final Budget R	2020 Variance Actual vs Final Budget %	2020 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R						
Income per directorate									
Executive and Council			—						
Municipal General	468,192,000	18,059,000	486,251,000	4%	Increase grants	431,437,459	(54,813,541)	-11%	Income not realising.
Municipal Manager	-	-	-	0%		-	-	0%	
Corporate Services	10,176,000	(4,499,000)	5,677,000	-44%	Reduce income	1,414,674	(4,262,326)	-75%	Income not realising.
Community Services	101,072,000	650,000	101,722,000	1%		99,473,660	(2,248,340)	-2%	
Financial Services	596,060,000	(16,750,000)	579,310,000	-3%		577,268,949	(2,041,051)	0%	
Strategic and Economic Development	8,860,000	(1,000,000)	7,860,000	-11%		6,910,297	(949,703)	-12%	Income market not realising.
Infrastructure and Services	1,176,537,000	(80,335,786)	1,096,201,214	-7%	Reduce income	1,069,606,269	(26,594,945)	-2%	
Total	2,360,897,000	(83,875,786)	2,277,021,214	-4%		2,186,111,308	(90,909,906)	-4%	
Expenditure per directorate									
Executive and Council	51,241,000	4,500,000	55,741,000	9%		52,931,346	(2,809,654)	-5%	
Municipal General	370,910,000	(62,629,000)	308,281,000	-17%	Reduce expenditure	272,999,008	(35,281,992)	-11%	As a result of actuarial valuation.
Municipal Manager	23,300,000	-	23,300,000	0%		17,423,219	(5,876,781)	-25%	Saving on vacancies not filled and expenditure in general.
Corporate Services	74,381,000	(5,014,000)	69,367,000	-7%	Reduce expenditure	64,204,442	(5,162,558)	-7%	Saving on vacancies not filled and expenditure in general.
Community Services	288,046,000	(7,101,000)	280,945,000	-2%		250,521,991	(30,423,009)	-11%	Saving on vacancies not filled and expenditure in general.
Financial Services	144,541,000	(6,750,000)	137,791,000	-5%	Reduce expenditure	117,560,846	(20,230,154)	-15%	Saving on vacancies not filled and expenditure in general.
Strategic and Economic Development	60,529,000	(1,906,000)	58,623,000	-3%		52,400,534	(6,222,466)	-11%	Saving on vacancies not filled and expenditure in general.
Infrastructure and Services	1,181,262,783	(20,627,635)	1,160,635,148	-2%		1,124,099,810	(36,535,338)	-3%	Saving on vacancies not filled and expenditure in general.
Total	2,194,210,783	(99,527,635)	2,094,683,148	-5%		1,952,141,197	(142,541,951)	-7%	Due to cost containment.
Surplus/(Deficit)	166,686,217	15,651,849	182,338,066	9%	Decrease in income and increase in grants.	233,970,111	51,632,045	28%	Due to the savings in expenditure .

APPENDIX E (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

Grants and Subsidies received for the year ended 30 June 2020

Name of Grants	Name of organ of state or municipal entity	Total Receipts for the Year	Total Expenditure for the Year	Delay \ withheld	Gazette amount Municipal year	Reason for delay/ withholding of funds	Did the municipality comply with the grant conditions in terms of grant framework in the	Reason for non-compliance
		Total	Total	Total	Total		Yes / No	
Library Services	Provincial	7,800,000	7,800,000	-	7,800,000	None	Yes	None
Primary Health	Provincial	-	-	-	-	No payment received. Debtor outstanding is R5 395 666.	Yes	None
EPWP	Provincial	3,608,000	3,608,000	-	3,608,000	None	Yes	None
Municipal Disaster Relief Grant	Provincial	328,000	328,000	-	328,000	None	Yes	None
Equitable Share	National	189,149,619	N/A	-	189,151,000	None	Yes	None
WSIG	National	14,300,000	7,743,291	-	14,300,000	None	Yes	None
Financial Management Grant	National	1,700,000	1,700,000	-	1,700,000	None	Yes	None
MIG/IUDG	National	53,039,327	53,039,286	-	53,039,327	None	Yes	None
INEP	National	24,498,000	11,841,618	-	24,498,000	None	Yes	None
ISDG (Skills)	National	4,500,000	4,500,000	-	4,500,000	None	Yes	None
Frances Baard Municipality	Municipality	1,357,038	7,729,692	-	N/A	None. Debtor outstanding is R6 372 654.	N/A	None
Coghsta	Provincial	-	-	-	-	None. Debtor outstanding is R31 516 233.	Yes	None
GURP	Provincial	-	-	-	-	No payment received. Debtor outstanding is R11 382 594.	Yes	None
RBIG	National	-	-	-	-	No payment received. Debtor outstanding is R13 263 870.	Yes	None
NDPG	National	78,298,820	70,386,423	-	78,298,820	None	Yes	None
Total		378,578,804	168,676,310	0	377,223,147			

National and Provincial grants are spent in accordance with business plans approved by the various Government Departments.
The EPWP grant is a job creating grant to alleviate poverty and unemployment approved by National Government.

APPENDIX F (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY: DISCLOSURES OF DEVIATIONS FROM PROCUREMENT POLICY
FOR THE YEAR ENDED 30 JUNE 2020

DocNo.	Service Provider	Service Rendered / Product Purchased	Financial Implications	Line Manager	Motivation
73/2018/19	Jonroy Design Studio Architectural & Heritage Consultants	Professional services for the SPM inspectorate (extended contract) July and August 2019	79,350	N Modiba	Exceptional case
1/2019/20	Sanitech Toilet Hire	Supply and delivery of sanitation facilities (chemical toilets) for various informal settlements in and around the city	1,095,115	Z Adikary	Exceptional case
2/2019/20	J&B Communication	Supply of a scanner for planning section	39,286	K Ponton	Exceptional case
3/2019/20	Carelina Clinic	Payment for care line Clinic for Service rendered in terms of IOD (Post traumatic disorder)to Mr KCT Serierus	155,118	WL Wiese	Exceptional case
Part of 3/19/20	DR NK Kirimi	Payment for care line Clinic for Service rendered in terms of IOD (Post traumatic disorder)to Mr KCT Serierus	51,844	WL Wiese	Exceptional case
4/2019/20	Saamsokolo Fruit & Veg	Supply and delivery of groceries for the soup kitchen for Mandela day	31,840	T Kgantsi	Exceptional case
5/2019/20	Bell Equipment	To remove, supply and fit cleatches (caps) on metal wheels of Bomag landfill R/Compactor operating at the landfill site	428,091	TJ Khweshiwe/P Gray	Sole Provider
6/2019/20	C-Pac Pumps and Valves	Repairs and installation of new low lift pump at raw water abstraction source in RITCHIE (Riet River) in order to supply raw water into water treatment works	969,982	M Selesho	An Emergency
7/2019/20	C-Pac Pumps and Valves	Strip, inspect and repair Allen Gwynn high lift pump no.9 as per quotation	1,681,927	S Mkhize	An Emergency
8/2019/20	C-Pac Pumps and Valves	Execution of additional work to contract INFRA/CEE/08/2016: Repairs to pump and motors for 1000kw AEI Electric motors for high lift pumps no.8	40,215	S Mkhize	Sole Provider
9/2019/20	Sulzer Pumps	Repairs on High Lift Pump Nr 5 (CD450-600)	1,461,149	S Mkhize	Sole Provider
10/2019/20	GK Steel Construction	Extending the height of the existing devils for fence by 1m around the cable yard	149,801	RK Brooker	An Emergency
11/2018/19	Magna Business Consulting	Maintenance and licence fees 1 July 2019 to 30 June 2020 for the accident reporting system	30,946	CFM Langford	Sole Provider
12/2019/20	Fast Lane Computer Consultancy	Training Fee-H Niemann, A Abbott and W Gouws	105,000	M van Zyl	Sole Provider
13/2019/20	Linri Enterprises cc	Collation, Editing, Proof-reading AND Design and layout of the annual report 2018/19	289,239	VO Sivengo	An Emergency
14/2019/20	Gariep Motors	Repair faults on Fire Fighting Vehicle F101	241,866	MW Pretorius	Sole Provider
15/2019/20	NB Mechanical Sales	Purchase of cable copper 185x3 PVC 11kV	1,165,500	RK Brooker	An Emergency
16/2019/20	Inspired Trading (PTY)LTD	Relicmaster (unlimited V20 (2x Dongles),Power master (500) V14 (2X Dongles),Power office V20 (Annual Rental) (3x Dongles	390,010	O Tsiene	Sole Provider
17/2019/20	Esri SA	AFLA Management System and TPAMS and BPAMS Upgrade	401,578	M Van Zyl	Sole Provider
18/2019/20	Biometric System-Time and Attendance	Biometric Scanners and related software are required for the automation of time and attendance which will assist with overtime and fraudulent leave	486,501	VG Monyobo	Exceptional case
19/2019/20	C-Pac Pumps & Valves	Emergency call-out to Allen Gwynn High Lift Pump no 7	79,708	S Coetzee	Sole Provider
20/2019/20	Sekate Consulting	The replacement of (222) beacons and pegs at Jacksonville,Roodepan,Kimberley (140 Beacons) and Witdam & Ramorwa,Galeshewe (82)	285,311	N Modiba	Exceptional case
21/2019/20	Lexis Nexis	Road Traffic/Transport Act 93/1996 Annual Subscription 2019/2020	41,576	CFM Langford	Sole provider
22/2019/20	Jonroy Design Studio Architectural & Heritage Consultants	Professional Services for the month of October/November 18/10/2019-17/11/2019 as per quotation dated 06/05/2019	79,350	N Modiba	Exceptional case
22/2019/20	Jonroy Design Studio Architectural & Heritage Consultants	Professional Services for the month of November/ December	79,350	N Modiba	Exceptional case
23/2019/20	Fast Reaction Security Pty Ltd	Extension of security Contract Q083/2018/2019 - provision of security services to safeguard raw water abstraction point facilities at Ritchie	72,600	DH Leeuw	Exceptional case
24/2019/20	UD Trucks	Repair D224 UD330 Nissan sewage tanker	122,200	M Arthur	Sole Provider
25/2018/19	Rand Water Analytical Services	Full Sans 241 for Municipal drinking water for 5 sites	83,697	M Bogacwi	Sole Provider
25/2019/20	Rosstech	Call out -technician for C8055 SN:3712231873	31,704	V Monyobo	Sole Provider
26/2019/20	Woodrow Engineering Sales	Electrical Repairs at Caters Glen Pump Station	136,976	HF Harding	Exceptional case
27/2019/20	Jonroy Design Studio Architectural & Heritage Consultants	Professional services for month of JAN/FEB 18/01/2020-17/02/2020 as per quotation dated 06/05/2019 (Due to shortage of staff and no plan Examiner with necessary qualifications)	79,350	N Modiba	Exceptional case
28/2019/20	H and R Technologies	Supply and installation of soft starter and Ultrasonic unit. (Vandalized sewerage pump and stolen cables at Midlands	99,850	F Aysen	Sole Provider
29/2019/20	Esoh Consulting	2020 M-PAC annual Financial Statements (Interrogation Techniques,5 delegates	44,999	B Anthony	Exceptional case
30/2019/20	G4S Secure Solutions (SA) (PTY)LTD	Secured Convey of Money	144,090	B Booth	Exceptional case
30/2019/20	G4S Secure Solutions (SA) (PTY)LTD	Secured Convey of Money	144,090	B Booth	Exceptional case
31/2019/20	Sothemba Security Services and training	Appointment of Security company to provide security services in order to prevent further damage and theft of copper cable at electrical substations	553,423	JB Anthony	An Emergency
32/2019/20	Gray's Constructors	Repairs of Municipal flats, demolishing and reconstruction of four badly damaged houses in Roodepan	1,192,099	S Mkhize	An Emergency
33/2019/20	IPIN Technologies	Software provider for the assessment system/Tool	40,368	B Feder	Sole provider
34/2019/20	Esri South Africa PTY LTD	Property Valuation Management System	255,858	K Nel	Sole provider
35/2019/20	Barloworld Equipment	Purchase of turbo charger	44,331	MP Arthur	Sole provider
36/2019/20	SBS Solutions SA (PTY)LTD	Supply, delivery, install and commission 4 x elevated tanks with a combined capacity of 720kl for critical areas.	9,150,154	Z Adikary	An Emergency
37/2019/20	ABB South Africa PTY LED	Supply and deliver Unigear 550 11 kv switch, right extension 1 complete with switchboard accessories at Macdougall strl substation for MV service cable to CRC church	831,737	F Aysen	Sole provider
38/2019/20	(a) MVM General Trading	Supply and delivery of portable electrical generators, LED Lighting towers abd auxiliaries	1,506,778	O Groenewaldt	An Emergency
38/2019/20	(b)Zenith Mining Supplies	Supply and delivery of portable electrical generators, LED Lighting towers abd auxiliaries	317,602	O Groenewaldt	An Emergency
39/2019/20	C-PAC Pumps & Valves	Repair of abstraction pump for Water Purification Plant	45,659	D Leeuw	An Emergency
40/2019/20	DTM Software	Annual Licence DTM Software 2020/21	169,800	M Van Zyl	Sole provider
41/2019/20	University of Fort Hare	Tuition fees for Councillors with University of Fort Hare 2020	449,861	M Van Zyl	Sole provider
42/2019/20	C-PAC Pumps & Valves	Technical problems and malfunctioning of both Rietvale and Freedom Park Pump Stations in Ritchie, both Stand-by pumps did not pump away sewerage.	116,922	G Corns	Exceptional case
43/2019/20	FreshMark Systems	freshmark six monthly software maintenance 01/07/2019-31/12/2019, annual database licence 01/07/2019-30/06/2020	141,450	J Taku	Sole provider
44/2019/20	Scorpsec Kimberley	Security services Homevale WWTW	276,110	HF Harding	An Emergency

APPENDIX G
SOL PLAATJE LOCAL MUNICIPALITY
APPROPRIATION STATEMENT FOR THE ENDED 30 JUNE 2020

NC091 Sol Plaatje - Reconciliation of Table A1 Budget Summary

Description	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
R thousands												
Financial Performance												
Property rates	578,654	(20,000)	558,654	555,073		(3,581)	99.4%	95.9%				512,886
Service charges	1,172,984	(85,186)	1,087,798	1,049,129		(38,669)	96.4%	89.4%				905,248
Investment revenue	15,000	(7,500)	7,500	5,503		(1,997)	73.4%	36.7%				10,002
Transfers recognised - operational	230,509	2,778	233,287	214,815		(18,472)	92.1%	93.2%				180,237
Other own revenue	206,465	11,181	217,646	218,580		935	100.4%	105.9%				213,287
Total Revenue (excluding capital transfers and contributions)	2,203,612	(98,727)	2,104,885	2,043,101		(61,784)	97.1%	92.7%				1,821,660
Employee costs	770,966	(43,409)	727,557	653,284	-	(74,272)	89.8%	84.7%	-	-	-	688,565
Remuneration of councillors	31,753	-	31,753	30,367	-	(1,385)	95.6%	95.6%	-	-	-	28,388
Debt impairment	226,000	21,975	247,975	247,975	-	(0)	100.0%	109.7%	-	-	-	205,848
Depreciation & asset impairment	71,600	-	71,600	69,001	-	(2,599)	96.4%	96.4%	-	-	-	61,913
Finance charges	24,661	6,634	31,295	31,097	-	(198)	99.4%	126.1%	-	-	-	26,250
Materials and bulk purchases	808,725	8,778	817,503	777,931	-	(39,572)	95.2%	96.2%	-	-	-	715,373
Transfers and grants	7,670	(3,500)	4,170	2,733	-	(1,437)	65.6%	35.6%	-	-	-	3,940
Other expenditure	252,836	(90,005)	162,831	139,752	-	(23,079)	85.8%	55.3%	-	-	-	132,731
Total Expenditure	2,194,210	(99,527)	2,094,683	1,952,141	-	(142,542)	93.2%	89.0%	-	-	-	1,863,009
Surplus/(Deficit)	9,402	800	10,202	90,959		80,758	891.6%	967.5%				(41,349)
Transfers recognised - capital	157,285	14,851	172,136	143,011		(29,126)	83.1%	90.9%				209,126
Contributions recognised - capital & contributed assets	-	-	-	-		-	-	-				-
Surplus/(Deficit) after capital transfers & contributions	166,687	15,651	182,338	233,970		51,632	128.3%	140.4%				167,777
Share of surplus/ (deficit) of associate	-	-	-	-		-	-	-				-
Surplus/(Deficit) for the year	166,687	15,651	182,338	233,970		51,632	128.3%	140.4%				167,777
Capital expenditure & funds sources												
Capital expenditure	184,285	5,351	189,636	135,895		(53,741)	71.7%	73.7%				206,021
Transfers recognised - capital	157,285	14,851	172,136	126,994		(45,142)	73.8%	80.7%				172,556
Public contributions & donations	-	-	-	-		-	-	-				-
Borrowing	-	-	-	-		-	-	-				-
Internally generated funds	27,000	(9,500)	17,500	8,901		(8,599)	50.9%	33.0%				33,465
Total sources of capital funds	184,285	5,351	189,636	135,895		(53,741)	71.7%	73.7%				206,021
Cash flows												
Net cash from (used) operating	277,161	8,553	285,714	173,705		(112,009)	60.8%	62.7%				156,664
Net cash from (used) investing	(184,285)	(5,351)	(189,636)	(135,895)		53,741	71.7%	73.7%				(206,021)
Net cash from (used) financing	(6,049)	-	(6,049)	(12,524)		(6,475)	207.0%	207.0%				(11,864)
Cash/cash equivalents at the year end	202,090	202,090	115,263	99,305		(15,958)	86.2%	49.1%				74,019

NC091 Sol Plaatje - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Standard												
Governance and administration	1,074,878	(3,190)	1,071,688	1,010,899		(60,789)	94.3%	94.0%				1,004,074
Executive and council	468,192	18,059	486,251	431,437		(54,814)	88.7%	92.1%				463,788
Budget and treasury office	606,686	(21,249)	585,437	579,462		(5,975)	99.0%	95.5%				540,286
Corporate services	—	—	—	—		—	—	—				—
Community and public safety	25,995	—	25,995	24,994		(1,000)	96.2%	96.2%				23,854
Community and social services	11,008	—	11,008	10,359		(649)	94.1%	94.1%				9,816
Sport and recreation	3,730	—	3,730	2,624		(1,106)	70.3%	70.3%				2,987
Public safety	285	—	285	675		390	236.7%	236.7%				351
Housing	10,901	—	10,901	10,884		(17)	99.8%	99.8%				10,613
Health	70	—	70	453		383	646.7%	646.7%				87
Economic and environmental services	18,223	3,500	21,723	22,283		560	102.6%	122.3%				22,638
Planning and development	3,923	—	3,923	3,920		(3)	99.9%	99.9%				2,690
Road transport	14,300	3,500	17,800	18,363		563	103.2%	128.4%				19,948
Environmental protection	—	—	—	—		—	—	—				—
Trading services	1,232,289	(83,186)	1,149,103	1,119,627		(29,477)	97.4%	90.9%				970,868
Electricity	777,527	(60,475)	717,052	680,359		(36,693)	94.9%	87.5%				566,910
Water	306,392	(16,209)	290,182	294,031		3,849	101.3%	96.0%				269,885
Waste water management	81,517	(3,651)	77,866	84,025		6,159	107.9%	103.1%				77,278
Waste management	66,853	(2,850)	64,003	61,211		(2,792)	95.6%	91.6%				56,796
Other	9,512	(1,000)	8,512	8,309		(203)	97.6%	87.4%				9,352
Total Revenue - Standard	2,360,897	(83,876)	2,277,021	2,186,111		(90,910)	96.0%	92.6%				2,030,786
Expenditure - Standard												
Governance and administration	702,387	(70,699)	631,688	561,105	—	(70,583)	88.8%	79.9%	—	—	—	551,446
Executive and council	433,631	(58,129)	375,502	336,852	—	(38,650)	89.7%	77.7%	—	—	—	336,178
Budget and treasury office	262,274	(12,570)	249,704	218,367	—	(31,336)	87.5%	83.3%	—	—	—	209,917
Corporate services	6,482	—	6,482	5,886	—	(596)	90.8%	90.8%	—	—	—	5,350
Community and public safety	186,430	(11,228)	175,201	163,275	—	(11,927)	93.2%	87.6%	—	—	—	154,197
Community and social services	41,179	(388)	40,792	38,535	—	(2,256)	94.5%	93.6%	—	—	—	36,073
Sport and recreation	59,874	(5,880)	53,994	48,285	—	(5,710)	89.4%	80.6%	—	—	—	47,061
Public safety	39,698	(557)	39,141	39,304	—	162	100.4%	99.0%	—	—	—	35,366
Housing	27,082	(4,300)	22,782	20,479	—	(2,303)	89.9%	75.6%	—	—	—	19,964
Health	18,596	(104)	18,492	16,672	—	(1,820)	90.2%	89.7%	—	—	—	15,732
Economic and environmental services	132,039	3,925	135,964	118,038	—	(17,926)	86.8%	89.4%	—	—	—	113,485
Planning and development	47,161	—	47,161	40,068	—	(7,093)	85.0%	85.0%	—	—	—	40,914
Road transport	84,208	3,925	88,133	77,332	—	(10,801)	87.7%	91.8%	—	—	—	71,954
Environmental protection	670	—	670	637	—	(32)	95.2%	95.2%	—	—	—	618
Trading services	1,147,658	(19,618)	1,128,040	1,088,683	—	(39,356)	96.5%	94.9%	—	—	—	1,023,507
Electricity	731,755	(11,866)	719,889	698,314	—	(21,575)	97.0%	95.4%	—	—	—	644,809
Water	266,483	1,203	267,686	265,093	—	(2,593)	99.0%	99.5%	—	—	—	240,218
Waste water management	82,667	(8,955)	73,712	69,878	—	(3,834)	94.8%	84.5%	—	—	—	79,071
Waste management	66,753	—	66,753	55,398	—	(11,355)	83.0%	83.0%	—	—	—	59,408
Other	25,697	(1,906)	23,791	21,041	—	(2,750)	88.4%	81.9%	—	—	—	20,374
Total Expenditure - Standard	2,194,210	(99,527)	2,094,683	1,952,141	—	(142,542)	93.2%	89.0%	—	—	—	1,863,009
Surplus/(Deficit) for the year	166,687	15,651	182,338	233,970	—	51,632	128.3%	140.4%	—	—	—	167,777

NC091 Sol Plaatje - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - EXECUTIVE AND COUNCIL	–	–	–	–		–						–
Vote 2 - MUNICIPAL AND GENERAL	468,192	18,059	486,251	431,437		(54,814)	88.7%	92.1%				463,788
Vote 3 - MUNICIPAL MANAGER	–	–	–	–		–	–	–				–
Vote 4 - CORPORATE SERVICES	10,176	(4,499)	5,677	1,415		(4,262)	24.9%	13.9%				6,007
Vote 5 - COMMUNITY SERVICES	101,072	650	101,722	99,474		(2,248)	97.8%	98.4%				96,933
Vote 6 - FINANCIAL SERVICES	596,060	(16,750)	579,310	577,269		(2,041)	99.6%	96.8%				533,870
Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING	8,860	(1,000)	7,860	6,910		(950)	87.9%	78.0%				5,309
Vote 8 - INFRASTRUCTURE AND SERVICES	1,176,537	(80,336)	1,096,201	1,069,606		(26,595)	97.6%	90.9%				924,880
Total Revenue by Vote	2,360,897	(83,876)	2,277,021	2,186,111		(90,910)	96.0%	92.6%				2,030,786
Expenditure by Vote to be appropriated												
Vote 1 - EXECUTIVE AND COUNCIL	51,241	4,500	55,741	52,931		(2,810)	95.0%	103.3%			–	46,045
Vote 2 - MUNICIPAL AND GENERAL	370,910	(62,629)	308,281	272,999		(35,282)	88.6%	73.6%			–	277,592
Vote 3 - MUNICIPAL MANAGER	23,300	–	23,300	17,423		(5,877)	74.8%	74.8%			–	16,144
Vote 4 - CORPORATE SERVICES	74,381	(5,014)	69,367	64,204		(5,162)	92.6%	86.3%			–	62,302
Vote 5 - COMMUNITY SERVICES	288,046	(7,101)	280,945	250,522		(30,423)	89.2%	87.0%			–	244,132
Vote 6 - FINANCIAL SERVICES	144,541	(6,750)	137,791	117,561		(20,230)	85.3%	81.3%			–	115,007
Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING	60,529	(1,906)	58,623	52,401		(6,222)	89.4%	86.6%			–	54,587
Vote 8 - INFRASTRUCTURE AND SERVICES	1,181,262	(20,627)	1,160,635	1,124,100		(36,535)	96.9%	95.2%			–	1,047,199
Total Expenditure by Vote	2,194,210	(99,527)	2,094,683	1,952,141	–	(142,542)	93.2%	89.0%	–	–	–	1,863,009
Surplus/(Deficit) for the year	166,687	15,651	182,338	233,970		51,632	128.3%	140.4%				167,777

NC091 Sol Plaatje - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue By Source												
Property rates	578,654	(20,000)	558,654	555,073		(3,581)	99.4%	95.9%				512,886
Service charges - electricity revenue	763,527	(62,475)	701,052	664,828		(36,224)	94.8%	87.1%				552,570
Service charges - water revenue	286,042	(16,209)	269,832	258,618		(11,214)	95.8%	90.4%				236,575
Service charges - sanitation revenue	69,517	(3,651)	65,866	73,119		7,253	111.0%	105.2%				67,381
Service charges - refuse revenue	53,898	(2,850)	51,048	52,564		1,516	103.0%	97.5%				48,721
Service charges - other		-				-	-	-				
Rental of facilities and equipment	11,810		11,810	11,427		(383)	96.8%	96.8%				11,092
Interest earned - external investments	15,000	(7,500)	7,500	5,503		(1,997)	73.4%	36.7%				10,002
Interest earned - outstanding debtors	137,940	10,000	147,940	145,492		(2,448)	98.3%	105.5%				141,429
Dividends received		-				-	-	-				
Fines	26,805	8,500	35,305	31,614		(3,691)	89.5%	117.9%				36,982
Licences and permits	4,764		4,764	5,863		1,099	123.1%	123.1%				6,319
Agency services		-				-	-	-				576
Transfers recognised - operational	230,509	2,778	233,287	214,815		(18,472)	92.1%	93.2%				180,237
Other revenue	25,146	(7,319)	17,827	23,809		5,982	133.6%	94.7%				16,309
Gains on disposal of PPE		-		375		375						579
Total Revenue (excluding capital transfers and contributions)	2,203,612	(98,727)	2,104,885	2,043,101		(61,784)	97.1%	92.7%				1,821,660
Expenditure By Type												
Employee related costs	770,966	(43,409)	727,557	653,284		(74,272)	89.8%	84.7%			-	688,565
Remuneration of councillors	31,753		31,753	30,367		(1,385)	95.6%	95.6%			-	28,388
Debt impairment	226,000	21,975	247,975	247,975		(0)	100.0%	109.7%			-	205,848
Depreciation & asset impairment	71,600		71,600	69,001		(2,599)	96.4%	96.4%			-	61,913
Finance charges	24,661	6,634	31,295	31,097		(198)	99.4%	126.1%			-	26,250
Bulk purchases	617,500	14,000	631,500	625,195		(6,305)	99.0%	101.2%			-	554,438
Other materials	191,225	(5,222)	186,003	152,736		(33,267)	82.1%	79.9%			-	160,936
Contracted services	51,605	(7,600)	44,005	38,346		(5,658)	87.1%	74.3%			-	42,342
Transfers and grants	7,670	(3,500)	4,170	2,733		(1,437)	65.6%	35.6%			-	3,940
Other expenditure	201,231	(82,405)	118,827	100,471		(18,355)	84.6%	49.9%			-	89,874
Loss on disposal of PPE		-		934		934	#DIV/0!	#DIV/0!			-	515
Total Expenditure	2,194,210	(99,527)	2,094,683	1,952,141	-	(142,542)	93.2%	89.0%	-	-	-	1,863,009
Surplus/(Deficit)	9,402	800	10,202	90,959		80,758	891.6%	967.5%				(41,349)
Transfers recognised - capital	157,285	14,851	172,136	143,011		(29,126)	83.1%	90.9%				209,126
Contributions recognised - capital												
Contributed assets												
Surplus/(Deficit) after capital transfers & contributions	166,687	15,651	182,338	233,970		51,632	128.3%	140.4%				167,777
Taxation												
Surplus/(Deficit) after taxation	166,687	15,651	182,338	233,970		51,632	128.3%	140.4%				167,777
Attributable to minorities												
Surplus/(Deficit) attributable to municipality	166,687	15,651	182,338	233,970		51,632	128.3%	140.4%				167,777
Share of surplus/ (deficit) of associate												
Surplus/(Deficit) for the year	166,687	15,651	182,338	233,970		51,632	128.3%	140.4%				167,777

NC091 Sol Plaatje - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	2019/20								2018/19			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - EXECUTIVE AND COUNCIL	-	-	-	-		-	-	-			-	
Vote 2 - MUNICIPAL AND GENERAL	68,668	24,951	93,619	73,000		(20,619)	78%	106%			-	80,061
Vote 3 - MUNICIPAL MANAGER	-	-	-	-		-	-	-			-	
Vote 4 - CORPORATE SERVICES	-	-	-	-		-	-	-			-	
Vote 5 - COMMUNITY SERVICES	-	-	-	-		-	-	-			-	
Vote 6 - FINANCIAL SERVICES	-	-	-	-		-	-	-			-	
Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING	-	-	-	-		-	-	-			-	
Vote 8 - INFRASTRUCTURE AND SERVICES	16,000	(9,600)	6,400	444		(5,956)	7%	3%			-	87,441
Capital multi-year expenditure	84,668	15,351	100,019	73,444	-	(26,576)	73%	87%	-	-	-	167,502
Single-year expenditure												
Vote 1 - EXECUTIVE AND COUNCIL	-	-	-	-		-	-	-			-	
Vote 2 - MUNICIPAL AND GENERAL	13,436	5,000	18,436	20,172		1,736	109%	150%			-	13,171
Vote 3 - MUNICIPAL MANAGER	-	-	-	-		-	-	-			-	
Vote 4 - CORPORATE SERVICES	-	-	-	-		-	-	-			-	
Vote 5 - COMMUNITY SERVICES	-	-	-	-		-	-	-			-	
Vote 6 - FINANCIAL SERVICES	-	-	-	-		-	-	-			-	
Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING	-	-	-	-		-	-	-			-	
Vote 8 - INFRASTRUCTURE AND SERVICES	86,180	(15,000)	71,180	42,279		(28,901)	59%	49%			-	25,348
Capital single-year expenditure	99,617	(10,000)	89,617	62,451	-	(27,165)	70%	63%	-	-	-	38,519
Total Capital Expenditure - Vote	184,285	5,351	189,636	135,895	-	(53,741)	72%	74%	-	-	-	206,021
Capital Expenditure - Standard												
Governance and administration	82,105	29,651	111,756	93,172	-	(18,584)	83%	113%	-	-	-	89,769
Executive and council	82,105	29,651	111,756	93,172		(18,584)					-	89,769
Budget and treasury office	-	-	-	-		-	-	-			-	
Corporate services	-	-	-	-		-	-	-			-	
Community and public safety	-	-	-	-	-	-	-	-	-	-	-	-
Community and social services	-	-	-	-		-	-	-			-	
Sport and recreation	-	-	-	-		-	-	-			-	
Public safety	-	-	-	-		-	-	-			-	
Housing	-	-	-	-		-	-	-			-	
Health	-	-	-	-		-	-	-			-	
Economic and environmental services	-	-	-	-	-	-	-	-	-	-	-	-
Planning and development	-	-	-	-		-	-	-			-	
Road transport	-	-	-	-		-	-	-			-	
Environmental protection	-	-	-	-		-	-	-			-	
Trading services	102,180	(24,300)	77,880	42,723	-	(35,158)	55%	42%	-	-	-	116,252
Electricity	43,998	(14,000)	29,998	12,108		(17,890)	40%	28%			-	43,430
Water	3,377	10,727	14,104	7,058		(7,046)	50%	209%			-	38,491
Waste water management	54,806	(21,027)	33,779	23,556		(10,222)	70%	43%			-	34,331
Waste management	-	-	-	-		-	-	-			-	
Other	-	-	-	-		-	-	-			-	
Total Capital Expenditure - Standard	184,285	5,351	189,636	135,895	-	(53,741)	72%	74%	-	-	-	206,021
Funded by:												
National Government	157,285	12,851	170,136	126,994		(43,142)	75%	81%				168,349
Provincial Government	-	-	-	-		-	-	-				4,207
District Municipality	-	2,000	2,000	-		(2,000)	-	-				-
Other transfers and grants	-	-	-	-		-	-	-				-
Transfers recognised - capital	157,285	14,851	172,136	126,994	-	(45,142)	74%	81%	-	-	-	172,556
Public contributions & donations	-	-	-	-		-	-	-				-
Borrowing	-	-	-	-		-	-	-				-
Internally generated funds	27,000	(9,500)	17,500	8,901		(8,599)	51%	33%				33,465
Total Capital Funding	184,285	5,351	189,636	135,895	-	(53,741)	72%	74%	-	-	-	206,021

Please select from list - Reconciliation of Table A7 Budgeted Cash Flows

Description	2019/20							2018/19
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, peanalities and collection charges	543,035	15,619	558,654	407,759	(150,895)	73.0%	75.1%	512,886
Service charges	1,102,051	(268,619)	833,432	741,757	(91,676)	89.0%	67.3%	503,649
Other revenue	68,525	1,181	69,706	73,088	3,383	104.9%	106.7%	71,858
Government - operating	230,509	2,778	233,287	197,278	(36,009)	84.6%	85.6%	180,237
Government - capital	157,285	14,851	172,136	160,548	(11,588)	93.3%	102.1%	209,126
Interest	52,244	103,196	155,440	150,995	(4,445)	97.1%	289.0%	151,431
Dividends		-			-	-	-	
Payments								
Suppliers and employees	(1,844,156)	136,546	(1,707,610)	(1,523,889)	183,721	89.2%	82.6%	(1,442,333)
Finance charges	(24,661)	(500)	(25,161)	(31,097)	(5,936)	123.6%	126.1%	(26,250)
Transfers and Grants	(7,670)	3,500	(4,170)	(2,733)	1,437	65.6%	35.6%	(3,940)
NET CASH FROM/(USED) OPERATING ACTIVITIES	277,161	8,553	285,714	173,705	(112,009)	60.8%	62.7%	156,664
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE			-		-	-	-	
Decrease (Increase) in non-current debtors			-		-	-	-	
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-
Decrease (increase) in non-current investments			-		-	-	-	
Payments								
Capital assets	(184,285)	(5,351)	(189,636)	(135,895)	53,741	71.7%	73.7%	(206,021)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(184,285)	(5,351)	(189,636)	(135,895)	53,741	71.7%	73.7%	(206,021)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans					-	-	-	
Borrowing long term/refinancing	3,202			(3,172)	(3,172)	#DIV/0!	-99.1%	(2,604)
Increase (decrease) in consumer deposits		-	-		-	-	-	
Payments								
Repayment of borrowing	(9,251)	-	(9,251)	(9,352)	(101)	101.1%	101.1%	(9,260)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(6,049)	-	(6,049)	(12,524)	(6,475)	207.0%	207.0%	(11,864)
NET INCREASE/ (DECREASE) IN CASH HELD	86,827	3,202	-	25,286				(61,221)
Cash/cash equivalents at the year begin:	115,263	115,263	115,263	74,019				135,240
Cash/cash equivalents at the year end:	202,090	202,090	115,263	99,305	(15,958)	86.2%	49.1%	74,019